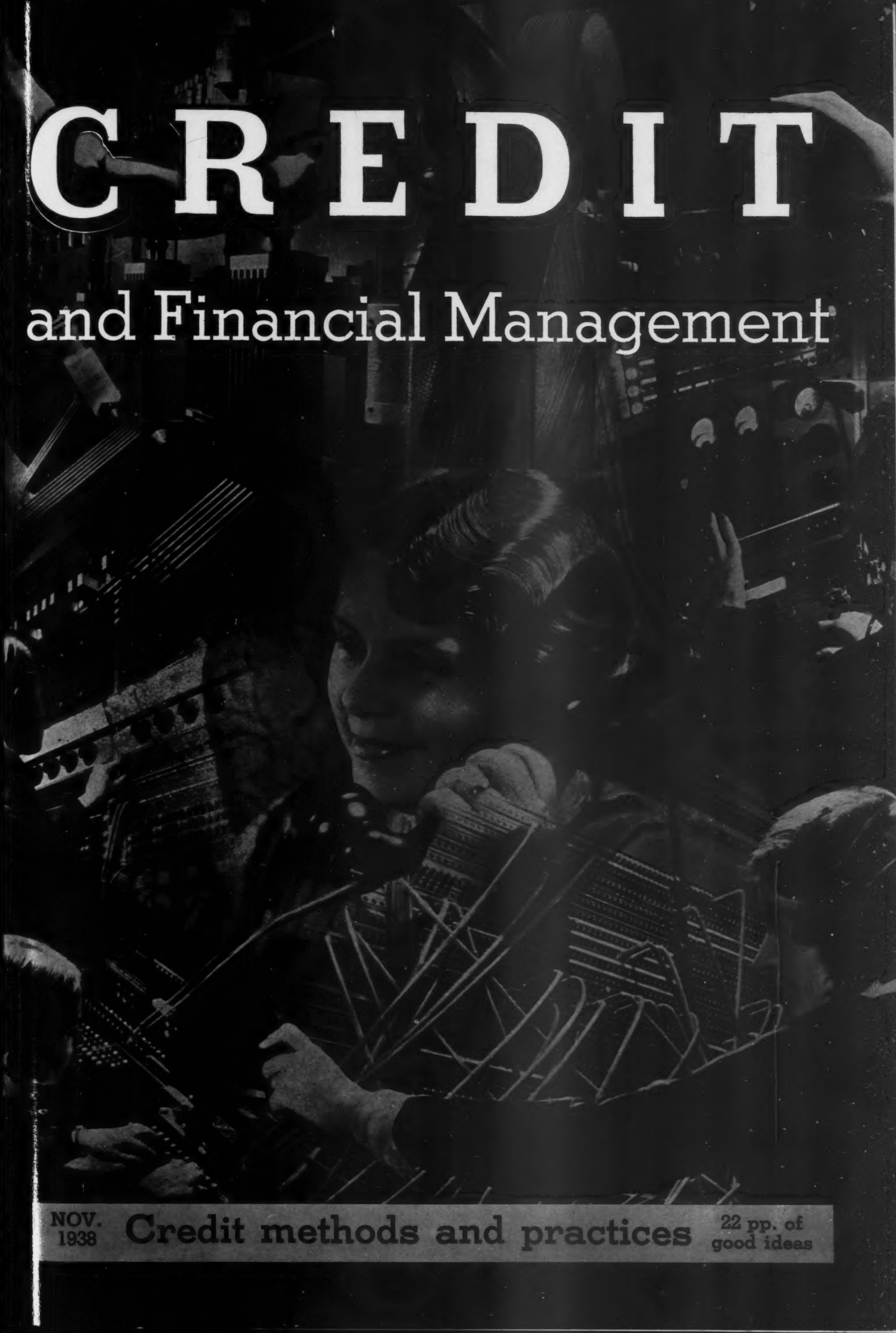
CREDIT

and Financial Management



NOV. 1938 **Credit methods and practices** 22 pp. of good ideas

The markings of a tool said, "Guilty!"

A financially-embarrassed citizen carefully planned to have his $150,000 property in Massachusetts burn at a time when he would be in Florida. Streamers of waxed paper were arranged to lead to pails of alcohol from two large lighted candles held erect by 1-inch holes bored in the floor. A strange flicker of light was reported to the police just in time to nip the fire. Circumstances pointed to the owner, but how to prove his guilt? Among his tools, which he had shipped away, was found a 1-inch bit. Analysis showed that wood chips still in the tool were of the same type of wood as the flooring . . . and the microscopic markings of the bit matched those of the holes!

Half the firemen killed in the line of duty die in incendiary fires. But ever on the firebug's trail is the Arson Squad of The National Board of Fire Underwriters, the great central organization of 200 capital stock* fire insurance companies.

Co-operating with local authorities and using such scientific instruments as the spectroscope and photomicrograph, these expert investigators never rest until fire mysteries are solved and guilty persons are behind bars.

Fighting the firebug is but one of the many ways in which these capital stock fire insurance companies are continuously working to safeguard your life and property.

CAPITAL STOCK Standard protection FIRE INSURANCE

THE NATIONAL BOARD OF FIRE UNDERWRITERS
85 John Street, New York Established 1866

*CAPITAL STOCK COMPANY FIRE INSURANCE

provides sound protection at a predetermined price, without risk of further cost. In addition to legal reserves, its policies are backed by cash capital and surplus funds set aside to meet not merely normal claims but also the sweeping losses due to conflagrations and other catastrophes. Its organized *public* services are national in scope. Its system of operating through Agents everywhere gives prompt personal service to policyholders.

CREDIT

and Financial Management

Contents for November 1938

Our Cover: Photomontage from Philip Gendreau

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Too much help?

No one would suggest that children do not need the constant care and observation of their mothers. We can likewise all appreciate a mother's anxiety over the health of her child. But how frequently in life have we observed this anxiety expanding the normal child's "common or garden variety" of ailments into supposedly serious afflictions and then calling at once for unnecessary medical or surgical ministrations. In many instances, had Nature been allowed its opportunity, or been aided at most by simple purgatives, most of the doctor's bills might have been avoided.

Ill health frequently requires little more than common-sense diagnosis and, consequently, common-sense remedies.

Like the mother, disturbed by her child's supposedly major ailments, the attention of most of our people has been focussed on the ups and downs of our economic health in recent years. Has this not resulted in some over-emphasis on the fundamental seriousness of the nature of our business troubles? Certainly it seems that some of the remedies prescribed have tended more to weaken than to strengthen our economic body.

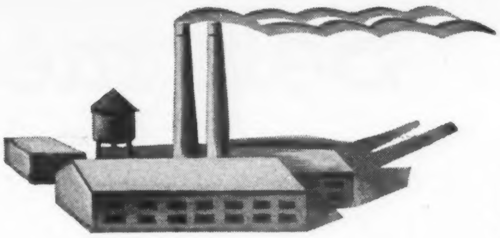
Our lending-spending program is a case in point. In the minds of some of our economic healers such programs must become permanent remedies, continually applicable to all of our economic diseases.

How could a lending-spending program be possible now if we had not abstained during normal periods and stored credit? If from the beginning of this country we had lent and spent, lending-spending programs would be impossible now because there would be nothing in our credit reservoir to lend or spend.

In our desire to be helpful to our people, let us be certain such helpfulness does not inflict permanent injury.

Henry H. Heimann

Executive Manager, N.A.C.M.

RUBBER FIRM  MAKES

COLLECTION

WORK

MORE ELASTIC BY LONG DISTANCE

The southern branch manager of a large tire and rubber company says, "During the last year, we made frequent use of Long Distance service for collecting and for other contacts where quick action was desired. It enabled us to get coverage and results *which we could not have otherwise accomplished.*"

Credit men everywhere know that Long Distance is *quick, far-reaching, persuasive* . . . that it gives full play to their personalities . . . that it reaches the right man at the right time . . . that it frequently secures a settlement or definite promise on a single call.

And it's a sound investment at the *economical rates.*

AMERICAN TELEPHONE & TELEGRAPH CO. AND ASSOCIATED COMPANIES
BELL SYSTEM

Sell merchandise — n

At the outset I am going to do an unusual thing. To make what I have to present more applicable, I am appointing and considering each reader a member of the sales force of the company I represent, which may be termed the IXL Company. This message, therefore, is directed to the sales personnel of our company so that they might have a clearer insight into the meaning of credit and credit management and be more capable of defending the credit policies of our company as well as more efficiently assisting in keeping their customer's accounts in an up to date condition, which will assure their being favored with whatever new orders the customers might have to place instead of such orders going to our competitors. For so surely as night follows day do our customers place their orders with the concern or factory with whom their account appears in an up to date condition.

Ask anyone connected with a Credit Department, "What is the basis of credit?" It is a hundred to one proposition you will get the answer, "The Three C's—Character, Capacity and Capital." Another maxim of credit, having almost equal acceptability, is "There should be no competition in credits."

Of course, there never should be any competition in credits because when we begin selling credit terms, no stopping place can be found short of absolute business chaos. Time is too extensive to include with merchandise as a competitive element in making a sale.

On the other hand, there is constant competition—frequently unrecognized —between credit departments. The results of this competition are highly important to all salesmen. The situation is about like this.

Salesmen from two competing houses offer merchandise to a prospective buyer. He gives each an order and offers his credit in exchange for the goods. The respective credit departments begin to measure the credit proffered to them. One is skillful, has the advantage of all facilities for gathering information, enjoys the cooperation of the sales force and receives first hand facts of great value about the buyer. The other credit department has little support, is managed by a man who does not feel the necessity of carefully measuring the offered credit. Naturally, his decision rests on little knowledge. The result should be obvious.

Such competition in resourcefulness, skill and knowledge between credit departments is constantly going on and means much to sales success. No one denies that the first requisite of a good salesman is to know his merchandise. The salesman who knows it best will, other things being equal, sell the most goods. Knowledge has the same power in the credit department.

The credit manager who is most capable in securing the facts necessary to measure a credit risk, who is most skillful in determining the relative value of these facts, will naturally be able to make the most effective and profitable use of the credit offered by the customers of the firm. Such a man is ever an active producer of values, working side by side with the sales force.

The "good-will" item when it appears on the financial statement of a customer is not ordinarily considered of much importance in appraising credit power. On the other hand, the measure of good-will toward us which can be built up in the minds of those who are now buying or who may yet buy from us, will to a great degree determine our future profits. The accepted procedure in developing this favorable attitude of mind on the part of the buyer is through SERVICE—a much overworked word.

Too frequently service has come to mean merely some concession which results in additional and unnecessary expense or an indirect reduction in price. The multiplication of such service has already in many lines become burdensome, the Robinson-Patman Law hopes to correct this. Such services rendered once or twice to meet a special condition or emergency, we soon find is regarded as normal and rightfully to be expected.

Not for one moment do I underestimate the importance of service as a builder of good will. However, it seems quite clear that it need not always take the form of additional burdens or expense and still be just as effective.

A productive idea, a well-timed suggestion may well prove to be more enduring and at the same time more fruitful of benefit both to our customer and to us. To straighten out a wrong notion, to correct some business fallacy, to encourage the continued pursuit of sane merchandising methods when unwise or unfair competition makes the going hard—these are services which will be remembered long and gratefully.

Just recently a merchant was stating to a salesman and a casual listener just how he expected to run his store and just what he proposed to sell. Then, very quietly, the salesman spoke—"I wonder," he said, "if, in a certain sense, every business house or manufacturing plant does not belong to its customers and is operated successfully by us only just so long as we satisfy them and provide what they want and expect us to have." There is a deal of wisdom in that statement which opens up a new line of thought. There are far too many who still are willing to make that declaration of ignorance, "I run my

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Protection for valuable assets

Which is the most valuable asset?
Cash?
Inventory?
Plant and equipment?
Sales outlets?

Ample insurance can be carried against the loss of the first three. Credit Interchange is the best protection against the loss of a valuable outlet through a credit error.

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not credit terms!

business to suit myself." There are times, too, when we assume that ideas familiar to us must of necessity be well-known to all others. A common example has to do with the size of a business. We know that size alone does not generate profits and the biggest businesses are not necessarily the most successful. Yet we undoubtedly have customers who are overawed by the greater size of their competitors and are actually frightened into ineffectiveness.

Then there is the man who is falling behind because he is afraid to press his customers for payment; who has never learned that, close, careful collections will invariably increase sales volume. He needs service. Another is practicing false economy—he doesn't have the vital figures of his business and thinks it involves an unwarranted expense to get them. He also needs service.

This is the day of management, of ability to think and to plan. Success depends far more upon the use of the head than of the hands and feet. Our biggest and most profitable service should therefore be directed accordingly.

In cigarettes, it may be "taste" but in business transactions, if we are forward-looking, it is "point of view." This has been emphasized in the statement that every letter should possess the "you attitude." Without a doubt, this same rule applies to all selling effort.

One of the most important processes of business is the collection of accounts. It is difficult and annoying to some merely because they do not possess the proper viewpoint. How many of us approach the collection of an account feeling that we are rendering the debtor a real serice? On the other hand, do we not enter upon the task as an unpleasant duty, something to be avoided, if possible, because of our belief that making the collection may be harmful to the debtor? If these are our real feelings, it is quite certain that they will be reflected in our attitude and transferred to the mind of the debtor.

Without a doubt, we owe a very definite obligation to our customers—every seller does. It is very important to him and to us that his business be as successful as possible. To accomplish this, we can do nothing which will be more effective than to insist upon the prompt payment of accounts. Such insistence necessitates competent management on his part and prevents that excessive use of credit which lies at the root of seven out of every ten failures. It has been my regret to see many a robust man lament that his business failure perhaps properly laid at the door of his creditors on the ground that if they had forced him to pay as he should have paid, his business would have been a success instead of a dismal failure. You may be absolutely sure that no more valuable service can be rendered to our customers than firm insistence upon payment of accounts as they become due.

Further, in so doing we contribute to the general prosperity of the country. Business can be likened to a stream. Anything which obstructs its steady flow injures all and tends to bring about contraction. An uncollected, past due account is a boulder thrown into the stream of business which deflects the current.

A sufficient number of such uncollected accounts becomes a dam, very positively reducing the possible volume of business which can be done. When we insist upon prompt payment we become emissaries of business prosperity. We keep the stream of business clear of obstacles; the channel is wide open for navigation.

Credit management as a profession is yet in its infancy. Any of us here can almost remember the time when all books were kept by pen and ink by bookkeepers who balanced pencils behind their ears and wore green eye shields. Maybe some of us filled such a position once upon a time. During that period all business houses were suspicious of the other so the interchange of credit information and credit ideas were unheard of. The bookkeeper, therefore, was qualified to pass on

says E. W. HILLMAN, Credit Manager, Federal Glass Co., Columbus, O.

his company's orders, for, if the customers' accounts were paid up with his firm they were entitled to more credit regardless of their indebtedness to others.

Excess losses and the dissolving of suspicion through the years have attributed to the establishment of Credit Departments in practically all business enterprises—some are headed by men of training in all branches of business, which is highly essential, but, alas, there are still too many Credit Departments headed by the old bookkeeper type of credit man who has yet to find out that close cooperation exists today among credit men and that the prime duty of a Credit Executive, aside from collecting the receivables of his company, is to build good will among the customers through diplomacy and tact in the handling of credit problems and through the care used in wording messages emanating from his department.

The interchange of credit information was principally developed through the affiliated Bureaus of the National Association of Credit Men so that today it is possible through many sources and in devious ways to learn all about a customer in advance of extending credit rather than through the old method of selling first and letting time prove the honesty or dishonesty of the customer.

However, this more scientific handling of an account, which makes available valuable data and statistics regarding the customers' purchasing powers, ability to and manner of making settlements, etc., made necessary the development of a code of ethics among credit executives whereby they pledged themselves, merely by becoming a party to the exchange of information to treat the information secured as strictly confidential and for use only in their departments.

The practice of collecting valuable

trade information on a customer from whom we have no immediate prospect of securing an order and then passing such information along to our sales departments for sales purposes is highly unethical and cannot be too severely condemned. Mark you, I am speaking of trade information gathered from a fellow credit man, from the Credit Interchange Bureau or from a group meeting of credit men and not from commercial reporting agencies.

Credit is intended to be strictly a business accommodation. For convenience in transaction, business accepts a promise to pay as equivalent to cash in hand. Naturally, if the accommodation of credit is injected into business at any one point, it should be available at all stages. Thus, if the customer owes the dealer, the dealer will owe the manufacturer, who will be given credit by those supplying him, and so on around in a never-ending circle. The whole plan of business is based on credit, even to the position of the wage earner, who sells his ability and time with the understanding that he will be paid at the end of a week, two weeks, or whatever period is customary and agreed upon.

"An uncollected, past-due account is a boulder in the stream of business which deflects the current."

Credit is a part of business as a whole, and if it is misused in any instance; that is, should any one of the arcs in the circle from field and mine to factory and consumer and back again, break down, the whole system is affected. If the consumer does not pay the dealer, that merchant can neither pay his bills nor his help. If the factory does not get its money, it cannot maintain production nor pay its employees. And, if abuse of credit were carried far enough there would be a general demoralization of the whole present plan of business.

Credit is not meant as charity, to give to the needy, or to carry a man along because he is hard up. The opposite is true, in that the courtesy of credit should not be offered except to those whose resources are sufficient to enable them to accept and meet their obligations readily.

Salesmen, because of their intimate contact with the trade, are prone to confuse credit with benevolence. There is plenty of good fellowship enveloped in the system of credit, but this does not mean blind liberality in credit extension. The fellow who gives a customer more credit than he is entitled to is not his friend. Indeed, he is an enemy to the buyer's welfare, because there is nothing that can more surely hamper business progress than to be loaded with obligations that are not justified by income. Too much credit has been as great a cause as any contributing to business failure.

"Penny wise and pound foolish"—an ancient adage with many modern applications. Take as an illustration, the effort which is expended in cutting costs of production by the merest fraction of a cent per unit while at the same moment hundreds of dollars may be lost through bad debts or slow accounts, incurred because credit judgment was based on misinformation or insufficient information. On this subject of credit judgment, it is no secret that the selection of desirable credit risks is becoming increasingly difficult, largely due to the current dominance of management as the determining factor in business success. Unless there is good management, no concern today can continue to earn a profit, and without it the prompt payment of accounts is not likely long to be maintained. Have you ever asked yourself the question, why the making of a profit in business is becoming increasingly more difficult? I believe the problem is worthy of careful study, because it is important to our business. For whatever it is worth, this is the result of my analysis.

Last of all, and repeating what I said in the beginning, through the prompt collection of accounts we make it possible for our salesmen to sell. The customer who owes us an unpaid account will almost invariably purchase additional requirements elsewhere until his past due account is paid. Furthermore, the cost of carrying past due accounts for the average business is three times the sum lost annually through bad debts. This, you can see, is a direct drain upon profits.

With these ideas on credit management, I say, the insistence upon payment, according to terms, is a kindness, not a hardship; it is constructive; it is beneficial alike to customer, to the country as a whole and to ourselves.

Tax relief provisions of the Chandler Act

by GEORGE D. FISH, LL. B., Certified Public Accountant (N. Y.), Author of Texts and Lecturer on Taxation
and FRANCIS X. BUTLER, of the New York Bar.

The inclusion of income tax provisions in the Federal Bankruptcy law as amended by the Chandler Act indicates the growing importance of taxes in connection with business readjustments or reorganizations. An important feature of the new Act is the provision that the scaling down of debts does not result in taxable income to the debtor. The significance of this feature will appear from a review of the prior Bankruptcy Act. A discharge in bankruptcy generally effected a discharge of all the bankrupt's indebtedness, but left the bankrupt with no assets. This resulted in an economic gain to the bankrupt to the extent of the difference between the amount of the debts discharged and the value of the assets, if any, surrendered by the bankrupt, but such gain was not taxable income under any of the Revenue Acts.

Due to conditions arising out of the depression the necessity for corporate reorganizations and the realization that equity receiverships would not afford adequate relief for debtors with top-heavy debt structures, Congress enacted section 77-B. This amendment made possible the readjustment of the debt structures and the realignment of security issues with the consent of a majority of the stockholders and two-thirds of the creditors. Proceedings under section 77-B generally resulted in a partial discharge of indebtedness leaving the corporation solvent after the proceedings. Under these circumstances there was not only an economic gain to the corporation but also taxable income under section 22 of the Revenue Acts, which defines gross income to include "gains, profits and income derived from * * * * trades, businesses, commerce or sales or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property: also from * * * * the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever."

This section has been interpreted by the Commissioner of Internal Revenue to mean that the cancellation of indebtedness may result in the realization of income, but a taxpayer does not realize taxable income by virtue of the discharge of his indebtedness as the result of an adjudication in bankruptcy, or by virtue of a composition agreement among his creditors, if immediately thereafter the taxpayer's liabilities exceed the value of his assets.

The question whether taxable gain results to a debtor from the cancellation of indebtedness has frequently been before the courts and the Board of Tax Appeals, where in a number of cases, it has been held that no taxable gain resulted to the debtor when insolvent both before and after the cancellation of the indebtedness, or where no assets remained after the cancellation. An illustration of this occurred in the case of *Lakeland Grocery Company v. Commissioner,* (36 B. T. A. 289), an ordinary bankruptcy proceeding, where the debts exceeded the assets and as the result of a composition with creditors the company emerged with assets free and clear of all liabilities. It was there held that taxable gain resulted to the company to the extent of the value of such assets.

To relieve corporations at the time of reorganization and other debtors from the hardship of having to pay an income tax on the gain resulting from the cancellation of indebtedness, Congress further amended the Bankruptcy Act by the Chandler Bill. Among other things, this bill substitutes chapter X for old section 77-B, dealing with corporate organizations. Chapter XI deals with "Arrangements" which mean any plan of a debtor for the settlement, satisfaction or extension of the time of payment of *unsecured debts* and applies to any debtor who could become a bankrupt, which would include corporations. It should be noted that this chapter is limited to unsecured debts. Chapter 12 deals with real property arrangements by persons other than corporations, and is designed to permit the settlement, satisfaction or extension of the time of payments of debts secured by real property, its principal purpose being to furnish the same relief to individual debtors as is available to corporations under chapter X. Each of these Chapters provide that the cancellation or modification of all or any part of the indebtedness shall not result in taxable income. This applies to the debtor or to a trustee or to a corporation which is used to effect the plan of reorganization.

These relief provisions apply retroactively (1) to any plan confirmed under section 77-B before the effective date of the Act, that is, September 22, 1938, and to any plan which may be confirmed under section 77-B on or after such date, and (2) to composi-

tions and extensions of individual debtors confirmed under sections 12 and 74 of the old bankruptcy law and to such compositions and extensions which may be confirmed after September 22, 1938.

These provisions may not, however, be availed of merely for the purposes of tax avoidance. In discussing these provisions the Judiciary Committee of the Senate in its report said:

> "These income tax provisions are new and are intended to preclude tax assessments resulting from the scaling of indebtedness on the basis of a write-down in the valuation of a debtor's assets, without an actual sale or exchange of such assets. They are in accord with the fundamental objective of a debt readjustment and correct a defect in the existing law which makes no such provision."

To compensate the government for the immediate loss of tax as a result of any cancellation of indebtedness, chapters X and XI contain provisions, the effect of which is to postpone the tax on a gain resulting from such cancellation, until the time when the property is sold by the debtor or a purchaser thereof in the reorganization proceeding. In the case of a purchaser, certain limitations apply. These sections read as follows:

> "In determining the basis of property for any purpose of any law of the United States or of a State imposing a tax upon income, the basis of the debtor's property (other than money) or of such property (other than money) as is transferred to any person *required to use the debtor's basis in whole or in part* shall be decreased by an amount equal to the amount by which the indebtedness of the debtor, not including accrued interest unpaid and not resulting in a tax benefit on any income tax return, has been cancelled or reduced in a proceeding under this chapter." * * * * (Italics supplied.)

Only "purchasers" which are corporations would be required to use the debtor's basis. Before considering the class of such corporations it may be well to consider for a moment the meaning of the term "basis." Generally speaking, basis means cost. Cost is the basis for depreciation. In the case of property in respect of which a deduction for depreciation is allowable for income tax purposes, basis means the cost of such property less the depreciation taken by the owner on the depreciation which he is allowed to take whether or not he takes it. This is an adjusted basis. The rules regarding the basis of property are contained in sections 111 and 113 of the Revenue Act.

There are exceptions to this general rule in the case of property acquired in a "tax-free reorganization" and property transferred to a corporation controlled by the transferer under section 112 of the Revenue Act. Generally speaking these corporate reorganizations resolve themselves into three classes, namely; (1), a statutory merger and consolidation with an existing corporation; (2), the transfer of *substantially all* of the property of the reorganized corporation to another corporation in exchange solely for *voting stock* of the acquiring corporation; (3), the transfer of some or all of the new property to a new corporation for securities of the new corporation and where *the transfer or its stockholders are immediately thereafter* in control of the new corporation. These would apply only where the debtor was a corporation. Transfers to a controlled corporation would include the transfer of a debtor's property to a corporation solely in exchange for stock or securities in such corporation if immediately after the transfer the debtor would be in control thereof.

In none of these cases is there any immediate taxable gain or deductible loss recognized on the part of the transferor corporation or its stockholders. The recognition of any gain or loss is postponed until the transferee corporation disposes of the property. Neither would there be any taxable gain or deductible loss recognized on the part of an individual debtor where his property is transferred to a corporation and he is immediately thereafter in control. This would include a situation where the debtor's property was transferred to a corporation which would issue bonds to creditors, and issue stock to the debtor. He would then be in control. When the property is disposed of, the "basis" of the property in the hands of the transferee corporation is the same basis as in the hands of the transferor corporation. The basis in the hands of the transferor corporation or individual is also the basis for depreciation in the hands of the transferee corporation. This is governed by section 113(6) and (8) of the Revenue Act which deal with the basis of property acquired in tax-free reorganizations and property acquired by the issuance of stock.

It is to be noted that where the property of the debtor is transferred to a corporation "required to use the debtor's basis in whole or in part," the debtor's basis shall be reduced by the amount of the debt cancellation. This leads to an inquiry as to who are "required to use the debtor's basis in whole or in part." The answer is those transferee corporations which would come within the provisions of section 113(6) above referred to. This in turn limits the class of these transferee corporations to those acquiring property in what is known as a tax-free reorganization. In other words, if a debtor corporation reorganizes by means of (1), a statutory merger or consolidation with another corporation; or (2), if substantially all of the debtor's property is transferred to another corporation solely in exchange for *voting stock;* or (3), if the whole or any part of the debtor's property is transferred to a new or existing corporation for securities of the latter, which may consist of stocks and bonds or long term debentures, and *the debtor corporation or its stockholders or both are immediately thereafter in control;* or if the assets of an individual debtor were transferred to a corporation and he was immediately thereafter in control, then in any of these instances the acquiring corporation would be required to use the debtor's "basis," both for the purpose of depreciation and for the purpose of the determination of gain or loss on the sale. The new sections 270 and 395 of Articles X and XI, would then come into effect and the acquiring corporation would be required to reduce the debtor's basis by the amount of the debt cancellation effected by the reorganization.

Real estate corporations having outstanding bonds secured by mortgages constitute a class of corporations which have frequently been the subject of reorganization. It has been quite common in such instances to have the real estate transferred to a new corporation in exchange for securities of the latter. These securities would be issued to the

bondholders, thereby leaving the stockholders of the old corporation with little or no interest therein and therefore not in "control" of the new corporation within the meaning of section 112 of the Revenue Act.

There have been two decisions by the United States Circuit Court of Appeals dealing with reorganizations where real estate was transferred to a new corporation controlled solely by the bondholders, namely *Collector of Internal Revenue* v. *Kitselman,* decided by the Court of Appeals for the 7th Circuit, 89 Fed. (2d) 458; certiorari denied by the United States Supreme Court; and *Commissioner* v. *Newberry Lumber & Chemical Co.,* decided by the Court of Appeals for the 6th Circuit, February 11, 1938, 94 Fed. (2d) 447. By reason of the opinion recently expressed by some authorities regarding the extent to which section 270 would be applicable, some confusion has been caused as to whether a reorganization in like circumstances would be treated as a tax-free reorganization today.

In each case the property was bid in at a public sale by the bondholders who deposited their bonds on account of the bid price and caused the property to be transferred to a new corporation for stock of the new corporation which was issued to the bondholders, the old stockholders being entirely eliminated. In the *Kitselman* case the court said that the bondholders were the moving spirit and were treated as the owners in fact, and that the bondholders must be viewed as a class of "stockholders" somewhat akin to preferred stockholders. In the *Newberry Lumber and Chemical Co.* case, the court said it was immaterial that the reorganization was effected by the bondholders and the fact that the bondholders did not represent any stockholders in the old corporation was of no importance. It should be borne in mind that these cases were decided under the Revenue Acts of 1928 which contained a definition of reorganization substantially different from the definition contained in the 1934 and later acts. It should be noted that in neither case was there a statutory merger or consolidation, and the property was not acquired by the new corporation in exchange solely for *voting stock.* Nor were the old stockholders in control of the new corporation.

Dishonesty in business

Employers in the United States lose $200,000,000 annually through the dishonesty of employees. It is estimated that the army of thieves and embezzlers in business has a yearly recruiting strength of more than 45,000, according to H. W. Nichols in "The Weekly Underwriter."

Enlistment in this great army of dishonest employees is for life. The recruits are first offenders, but once detected, they are branded permanently; such people are not knowingly put in positions of trust by employers, and bonding companies consider them poor risks, the writer states.

A study of bonding company files shows that dishonest employees, on the average, are white-collar workers; they are more often men than women; before discovery of their shortages they have good reputations; they possess the equivalent of a high school education; prior to their defaults they move in acceptable strata of society; they are married, with families dependent upon them; and strange as it may seem, are frequently active in civic, church and club affairs. Their salaries are generally adequate for their needs, and necessity is seldom the cause of their dishonesty.

Where does the money go to? It goes for wine, women and song—a lot of it. It goes into the stock market—a lot of it. It goes to finance speculation in businesses on the side. Much of it goes for bets on the ponies from New York to Cuba, and much of it for extravagance in the form of over-ambition and keeping up with the Joneses.

But rarely, if ever, this study of actual cases discloses, does money taken dishonestly result in profit to the guilty. Money spent on women and drink often leads to blackmail and the necessity of further peculations; when invested in stock, there is usually a slump; when placed on a race, the horse frequently runs last.

In connection with the reorganization of the *Colorado Fuel and Iron Company* and *Colorado Industrial Company* under a plan of reorganization under 77-B, whereby the assets of the debtor corporations were transferred to a new corporation in exchange for securities of the latter which were issued to the old bondholders, the stockholders of the old corporation receiving only warrants to purchase stock and thus not being in control of the new corporation, the Collector of Internal Revenue ruled that under the Revenue Act of 1936 it was not a tax-free reorganization because (1) there was no statutory merger or consolidation, (2) the new corporation did not acquire the assets solely for voting stock, and (3) the stockholders of the old corporation were not in control of the new corporation.

Reorganizations at the instance of bondholders whereby the property is acquired by a new corporation in consideration of stock or bonds or both to be issued to the old bondholders, who would thus be in control, will probably continue. Under Section 270, the Commissioner is required to issue regulations to give effect to that section. In the absence of such regulations and of any clear cut decision that such reorganizations would be tax-free under the 1938 Act, it seems reasonable to conclude that the *Kitselman* and *Newberry Lumber & Chemical Co.* cases would not apply and that the principle applied by the Commissioner in the *Colorado Fuel and Iron Co.* ruling would control. In other words, taxable gain or deductible loss (presumably a loss), would accrue to the bondholders, measured by the difference between the cost of the bonds and the fair market value of the new securities received by them in reorganization. From this it may be assumed that a corporation reorganized under chapter X with the old bondholders in control of the new corporation, would not be a tax-free reorganization. Consequently the new corporation would not be "required to use the debtor's basis" in respect to the debtor's property acquired by it. Therefore the provision regarding the reduction of such basis by the amount of the debt cancellation would have no application.

Credit manager:

"clean up" batter for business

by ROBERT D. SULLIVAN, Vice President,
General Paint Corp., San Francisco

1st—Production
2nd—Advertising
3rd—Sales program
4th—Credit management

My entrance into the business world after a practical manufacturing education was through the sales route, and because of that, my early memory of a credit man was one who represented the side of the enemy. Foolish, I know, but it took time to learn that I was quite wrong. Although a number of years have passed since then, I stand apologetic to your profession because I have learned since becoming a general control executive, a number of years ago, that the credit man is a vitally important person among the department heads who strive to produce satisfactory profit.

Often do we hear discussions about the efforts of the sales department and about its desire to sell the proper amount of paint at a satisfactory gross profit.

Often do we hear presentations from the advertising managers as to what they will do to publicize paint merchandise as a certain share of the sales expense.

Then, too, we hear much about the manufacturing department and its efforts to produce good quality paints at a cost which will be suitable to the executive control, but seldom is the credit man considered the real factor that he is in the complete functioning of a successful company.

True, we must have a demand created by the advertising department. Sales must be made by the sales department and after that the product must be made and shipped before a receivable representing the transaction can be placed on the books. But, gentlemen, it is my belief that a sale is not complete until the money is in the cash drawer or in the bank.

Now, who is the one to see that it gets there? You know that it is the credit man. How is it possible to produce a profit until the money has been collected? That money represents the cost of sales, cost of merchandise, the balance being the profit. Of course, these thoughts are fundamental to men of your profession, but again I state that I do not believe it is realized as fully as it should be how important the credit man is to the executive circle within which a sale starts and ends in a profit.

I believe that too many credit men do not realize how much improvement can be made by them in a personal manner to protect the profit generated by the sale and production transaction.

Of course, it is the act of credit investigation which is the most important function after the order reaches the credit department. But there are too many details for me to delve into before a body of men who know all the ramifications, assets, liabilities, obligations, commitments, etc.

It is my belief that a credit man should work so closely with the sales executive that he can obtain full knowledge about the profit value of an order in question. An account may be on the border line. If the profit is unusually large, a greater risk can be taken. If the margin is very narrow, then the account must be judged strictly on its own merits and little consideration must be given to moral responsibility or to hopes and enthusiastic promises.

Here is where a credit man through good judgment can aid materially in getting a good profit on a sale or protecting the profit on other sales by not taking on a border line account that has a small profit possibility.

It is too often the case that credit is judged on the balance sheet alone. Some credit men strive only for a low percentage on loss record. They may obtain this and, in doing so, prevent losses which would affect annual net profit.

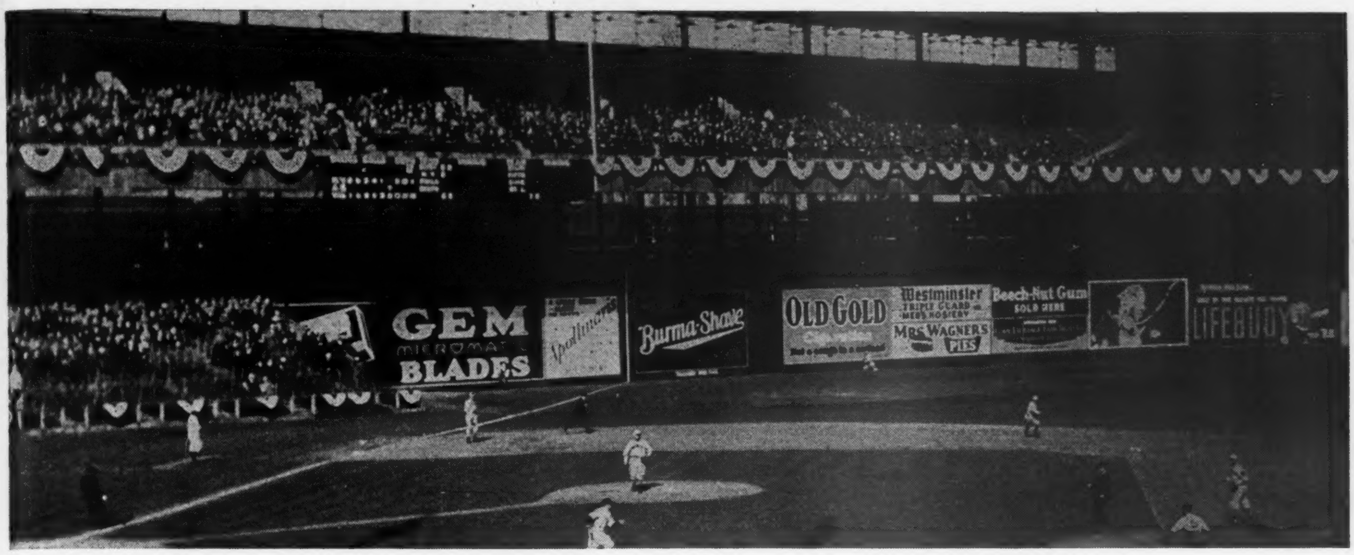
On the other hand, if they are not flexible and do not recognize your three C's, which are capital, character, and capacity, then they are apt to reject business which has profit. When that is done, too often it reduces sales, discourages sales executives and salesmen, cuts down production, and, in general, creates internal friction.

I do not want you to think I am encouraging careless leniency. On the contrary, I am urging careful investigation of all factors and they should include more than just assets and liabilities.

The modern and valuable credit man of today is endowed with sales sense. Some are born with it, others force themselves to acquire it. Sales sense enables them to balance cold figures with sales possibilities and, when that is done, the credit man aids in increasing profits, not preventing them.

Remember, profit begins with a sale, but the amount of that profit depends entirely upon the efficiency applied by each department until it is finally taken into the earnings as cash.

Sales sense creates good personality. Nothing is more admirable than a



pleasing personality in a credit man. The crabbed, untidy, suspicious, hook-ed-nose type passed out of the business world years ago. If there are any today who attempt to ape that type, the majority of the credit profession will agree there is no place for them now.

Here and there we come in contact with the man who, in order to impress others that he is a keen, shrewd man, knits his brow and takes on a facial expression which would lead one to think the financial world waited for his words. In most cases, it is done to hide the lack of knowledge or the lack of ability.

How refreshing it is to meet the credit man with ability and good judgment who can smile with his fellow workers! The man, who with a friendly spirit draws to him perfect cooperation from all—he is the man who gains the friendship of the salesman. That friendship brings sincere help from the same salesman, which is an aid to the credit man in his efforts to get all the facts.

The friendly salesman does not want to see him criticized by his superiors for a poor collection report. On the contrary, he will always help him to produce a good one. The intelligent, efficient and kindly credit man is always a real help to his fellow executives in their efforts to secure a good profit.

Some credit men seem to enjoy a thrill when they turn down an account, whereas they should have felt much regret when compelled to do so. I have heard credit men tell with a gleam in their eyes that they rejected a certain account. That is only justified when an account has proven to be bad. However, there are thousands who are satisfactory customers of a competitor and if their credit is not thoroughly investigated, the credit man has eliminated profit possibility for his company.

Be patient with your salesmen. Do not be sharp or short. When it is found necessary to reject an account, do it kindly and with some explanation that can be given without divulging confidential information. I have known many salesmen who believe that fair consideration was not given to their accounts. Because the credit man was not of the understanding type with the sales force of his own organization, those salesmen would go to him to present their side of the case, which often had enough merit to warrant a reconsideration of the account.

It would be ideal if credit men could be given the opportunity of making sales for at least six months. They would learn quickly how difficult it is to make sales when compelled to sell only to high rated companies. It would broaden their viewpoint to such an extent that they would return to their desks much more valuable to their companies. They would be more friendly and more receptive to the problems of the salesman.

The thought has come to me many times that too much prejudice exists among some credit men against buyers who were looked upon as bad risks in years gone by. Thousands of these buyers found themselves in difficulties during the years of 1931, '32 and '33. A large number of them were perfectly honest and worked hard, but the terrific conditions, over which they had no control, brought about their downfall. There are many of those today, who secured a new foothold, paid off all obligations and are now taking care of current payables. They are good customers of some companies whose credit men had the good sense of not being prejudiced but who looked into their new set-up and found them entitled to credit.

It is often the case that the information about a buyer becoming re-established has been given by a salesman to his credit man, through the presentation of an order for approval, but quick rejection is the result because the name on the order is a "red flag" to the credit man. He only remembers the difficulties and losses caused by the same customer in years gone by, and therefore does not take the time or make the effort to get up-to-date on that buyer, who may be doing well now and giving a profit on his purchases to a competitor.

Personal-ity!

by J. E. SUGDEN, Jr., President Steel City Gas Coal Co., Pittsburgh, and Director, Credit Assn. of Western Pennsylvania.

A good motto in any office would be the old proverb, "As cold water to a thirsty soul, so is good news from a far country". And therefore, starting with the premise that every one likes to receive mail, we should try to make our office correspondence reflect the personality of not only the person dictating the communication, but also the friendly, appreciative spirit of the firm, company or corporation you represent, for without loyal customers, your business cannot long endure.

One should never lose sight of the fact for one moment that every piece of mail leaving your office represents you and your company when it arrives at your customer's place of business. Therefore, in the first place, you should have a clean, neat, well-arranged letter on a beautifully printed, lithographed or embossed letterhead.

Now in order to be able to write a personal letter, one should, if possible, try to meet his customers personally. The writer tries to meet every customer on our books at least once in the calendar year—more times if possible—and our customers extend from Baltimore to Montreal, along the Atlantic Seaboard, west through the states of New York, Pennsylvania, Ohio, Indiana, Illinois, Michigan and Wisconsin. There is much to be gained by knowing the man and the company with whom you are doing business, and then when the correspondence leaves your office, it should have the mark of personality reflected in its tones.

Usually your customers are far removed from your place of business, and hence, they do not know of local conditions. When Pittsburgh was visited with the disastrous St. Patrick's Day flood in March of 1936, our Company issued as soon as possible a general notice to every customer on our books.

About the middle of July of the same year, a labor situation developed, and immediately we put out a communication about labor. In August, in order to stimulate trade and knowing that the squirrels and the bees were hoarding for their Winter's supply, we used the same illustration in our letter of August 15th. About the middle of September, an editorial appeared in the Pittsburgh Post-Gazette, which forecasted higher prices, and immediately we received authority to reproduce on our letterhead the entire article, which was broadcast to our trade by the communication dated September 23d.

In January of 1937, Pittsburgh was again visited with a very serious flood and again we used the catastrophe as a basis for writing our customers to let them know of conditions in Western Pennsylvania. Then again, when the President affixed his signature to the Guffey-Vinson Bill, making it a law, we used this timely subject as a basis for a communication which would save our customers money by stocking coal and coke before the higher prices went into effect.

When Thanksgiving came around, we felt that it was the proper time to thank our customers for the patronage of the past years, and when we desired to have a letterhead which would reflect the harvest, a picture of a turkey, etc., it was necessary for us to comb the stationery houses of Pittsburgh, Baltimore, New York, and finally, one was located in Chicago.

We have always made it a practice to put out a personal letter at Christmas time on Christmas stationery, which would reflect the personality of our Company, rather than the ordinary Christmas card or folder, printed in stilted terms, which regardless of the price involved, usually finds its way into the waste basket.

The secret of success in running a business is first to give dependable service. When a company sees fit to do business with you and places its order, it should not have to take the matter up with you to find out if the shipment has gone forward, whether it was shipped on the date specified, or to have to trace the car so that it will arrive at your customer's plant on time. That is your business. Furthermore, if the order is marked urgent, you should either wire or airmail the car initial and number. As soon as the weight of the shipment arrives in your office, an invoice should be immediately dispatched, and then at the end of the month, in order that you will know the books of the respective companies are in balance, a statement should be prepared, which permits verification.

Now, if you have done your part and have served your customer well, you in turn should educate your customer to pay you according to the terms of sale. There is no romance in doing business at a loss, nor in having to borrow money to carry slow and doubtful accounts. Since our terms of sale are the 20th of the month following date of shipment, if the check is not received on the 20th, our first collection letter is then released.

If the check has not arrived by the 25th, collection letter #2 is forwarded, and should the check not arrive in our office by the last day of the month, collection letter #3, calling attention to their overdue account and requesting immediate payment, is then dispatched, usually with some kind of a sticker attached, depending on the customer with whom you are doing business.

There are also some times during the year, especially at Christmas, when heavy mine payrolls demand that the men be paid in ample time to allow them to enjoy their holiday, that special letters for collection purposes are sent.

The question of handling complaints is always a ticklish situation which demands the attention of someone in the organization who can write the kind of a letter which will smooth the troubled waters and at the same time preserve the customer as a customer on your books.

Some companies adopt the old maxim of the divine right of kings, "The King can do no wrong", and hence, the company is always right and the customer is always wrong. Others adopt the

policy that the customer is always right, but we have taken a middle-of-the-road policy of handling every case on its merits after a thorough investigation.

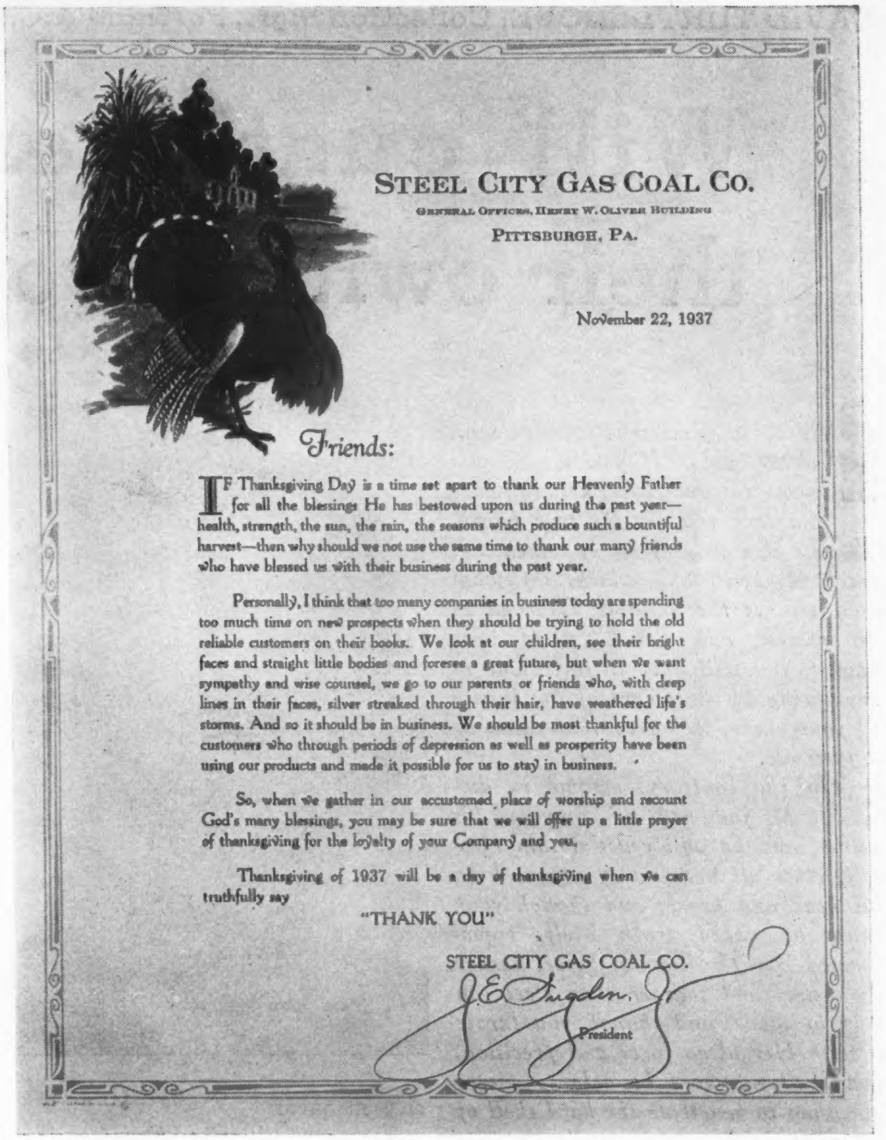
There is always chance for human error, both on our part as well as our customer's, and therefore, as is a case in Court, there are at least two sides to every story and a verdict can usually be rendered after a presentation of all the facts.

Always use courtesy and never lose your head, regardless of what your customer states in his communication to you, for when your customer finds that you want to be fair, in the greatest majority of the cases he will cooperate.

In closing, I think that I should stress two phrases which should be universally adopted. The one is "PLEASE"—a request on your part for an acquiescence by your customer, and then the words "THANK YOU", for I do not think that we are half appreciative of the companies who through the years have favored us with their very desired business.

We have made it a rule of our company that when every order is completed, the shipping notice bears the statement, "COMPLETES YOUR ORDER. THANK YOU", and this calls to the attention of the Purchasing Department the fact that the order on which material has been shipped is then completed, and that it is time to place an additional order.

To sum up, let me state that to be successful in business means that one must be dependable; that it is just as important for your customer to pay you for the goods shipped, and according to the terms, as it is for you to ship the goods exactly on the date specified and in accordance with the customer's desires in the matter; that courtesy always pays big dividends, and that every day should be Thanksgiving Day in appreciation of your loyal customers.



STEEL CITY GAS COAL CO.

GENERAL OFFICES, HENRY W. OLIVER BUILDING

PITTSBURGH, PA.

November 22, 1937

Friends:

IF Thanksgiving Day is a time set apart to thank our Heavenly Father for all the blessings He has bestowed upon us during the past year—health, strength, the sun, the rain, the seasons which produce such a bountiful harvest—then why should we not use the same time to thank our many friends who have blessed us with their business during the past year.

Personally, I think that too many companies in business today are spending too much time on new prospects when they should be trying to hold the old reliable customers on their books. We look at our children, see their bright faces and straight little bodies and foresee a great future, but when we want sympathy and wise counsel, we go to our parents or friends who, with deep lines in their faces, silver streaked through their hair, have weathered life's storms. And so it should be in business. We should be most thankful for the customers who through periods of depression as well as prosperity have been using our products and made it possible for us to stay in business.

So, when we gather in our accustomed place of worship and recount God's many blessings, you may be sure that we will offer up a little prayer of thanksgiving for the loyalty of your Company and you.

Thanksgiving of 1937 will be a day of thanksgiving when we can truthfully say

"THANK YOU"

STEEL CITY GAS COAL CO.

J. E. Sugden, Jr.

President

Like several others in this series of letters, the one illustrated above is printed in color. An appropriate number of the rainbow's hues are used in the turkey illustration in the upper left-hand portion of the letter while the rest, with the exception of the decorative border in soft grey, is done in blue offset embossing. And adding to the general effect of attractiveness is Mr. Sugden's signature. The vogue for incomprehensible scratchy signatures is about due for a switch to the more simpler, legible type and in this day of "squiggly" pens, it is a pleasant novelty to have a signature that attracts the eye and at the same time carries complete readability. It's worth-while thinking over, we believe, what the effect of your signature to a letter may have on the recipient. Certainly a bold, uncompromising sample of penmanship can be construed as not conducive to harmony with a letter that in its collection efforts, for instance, is inclined to be velvety.

(No. 1 Letter, released 20th of each month)
Gentlemen:

The courtesy of your attention to our statement of ...., amounting to $................., will be most cordially appreciated.

Yours very truly,

(No. 2 Letter, released 25th of each month)
Gentlemen:

Our last monthly statement called for a balance due us of $.............., against which the following payments have been applied:

....

Kindly advise us by return mail, stating whether above is correct, and, if so, please favor us with your remittance.

Yours very truly,

(No. 3 Letter, released on the last day of each month)

Gentlemen:

RE: .... Amount, $......

Your attention is respectfully directed to your account with us, which is now past due under the original terms of sale.

Since we must meet nine payrolls twice a month, we solicit your financial co-operation, assuring you that payment will be both useful and highly appreciated.

We take this opportunity of thanking you for the business you have so kindly given us, and assure you of our desire to maintain your Good Will.

Yours very truly,

DAVID TURTLEDOVE, Collection Mgr., Portland A.C.M., asks a pertinent question:

Will customers buy their own past due a/p?

Abraham Lincoln is credited with having said: *"If you would win a man to your cause, first convince him that you are his true friend. Therein is a drop of honey which will catch his heart and which, say what you will, is the greatest highroad to his reason, and which, when once gained, you will have little trouble in convincing his judgment of the justice of your cause, if indeed that cause be a just one.*

"On the contrary, assume to dictate to his judgment or command his action, and he will react within himself, close all avenues of approach to his head and heart; and though your cause be naked truth itself, transformed into the heaviest lance, harder than steel and sharper than steel can ever be made, and though you throw it with Herculean force and precision, you shall no more be able to pierce him than to penetrate the hard shell of a tortoise with a rye straw."

Framed and hanging on our office wall, that has been our Collection Department's guidon for many years.

It is generally known that there are two schools of thought in medicine. One cures by surgery—the other by suggestion and/or medicine. The technique used in the handling of past due accounts resembles to some extent these schools of medicine.

One school of collection thought, corresponding to surgery, succeeds mainly by "drastic action." The other prefers to collect through amicable means by giving a word of encouragement here and a pat on the back there, making a friendly suggestion where it will do the customer the most good.

Keep in mind, however, the fact that physicians who cure by medicine instead of surgery must, in addition to being physicians, be superior salesmen, for haven't we often heard it said that Doctor so-and-so has an excellent bedside manner!

To the Collection Department of The Portland Association of Credit Men, collecting past due accounts is merely a selling job, requiring the qualifications of superior, but not super, salesmen. The salesman who sold the customer the merchandise for which we must eventually secure payment had by comparison a much easier task. He was able to arouse in the customer—curiosity, desire, profit anticipation.

By the time we receive this account for collection the customer's desire has been satisfied and in many instances his anticipated profit failed to materialize. We must rekindle desire, using the same technique the salesman employed in the first instance, the customer drawing profit from a satisfied conscience.

Every man connected with our Collection Department has had many years of business experience before coming to our Association. He has been on the customer's (debtor) side of the counter. For that reason he can do more than sympathize with the customer. He can appreciate his predicament by drawing upon his own past experiences and figuratively placing himself in the customer's shoes.

Our men pride themselves on the millions of dollars they have able to collect by friendly means, and at the same time retaining the customer's good will. Quite often a friendly suggestion made by one of our adjusters to a customer has been the direct means of salvaging many, especially small businesses from the rocks, the customer having had his nose to the grindstone so long and so close that he is unable to see what is immediately obvious to a stranger stepping into his place of business for the first time.

We are all more or less conversant with the premium plan of merchandising. Who of us has not at some time in his life saved cigar bands, soap wrappers, or coupons, primarily designed to induce us to use more often or within a limited time a certain brand of merchandise, a limited quantity of which we would have purchased of our own accord, regardless of premiums, over a longer period of time?

It is this premium sales idea that we have tried to work into our collection sales psychology in a dignified way. It would hardly be practical for us to say to a customer (debtor), "If you will save 10,000 of our payment receipts and mail them to our office, we will send you, properly framed, a statement of your past due account marked 'Paid' and bearing our autograph." So something else had to be substituted.

First, we insist on written acknowledgments of obligations, and we are cranks on that. This may be in the form of a note or a letter addressed to us by the customer, giving the name of the creditor and setting out the amount due him. Or he may (*Cont. on page 26*)

G. McK. ROBERTS, Asst. Treasurer, International General Electric Co., N. Y. declares:

Stick to facts in collecting

I have received some comments relative to my criticism of a "model" collection letter, which criticism was published in the August issue of "Credit and Financial Management." It has been suggested that I should, in turn, produce some collection letters which have brought results.

The company with which I am associated is an exporting organization and has no accounts except in connection with export shipments. A large percentage of its customers are in foreign countries, and although credit is extended in many instances, terms of payment are usually subject to export practice, involving documentary drafts, letters of credit, and the like.

Nevertheless, there are always accounts with customers in this country who purchase for export, and, generally speaking, they are subject to the usual domestic terms. Consequently the normal experiences incident to domestic business are encountered. Notwithstanding this, so-called collection letters are seldom necessary, because of the practice of having every detail of the account, such as prices, discounts, delivery, terms of payments, settled definitely in advance.

Because of this policy, which is rigidly adhered to, there are seldom any differences of opinion between the company and its customers, as to the basis on which their orders are accepted. Every order is carefully scrutinized, special attention being given to printed conditions appearing on the face or reverse thereof.

If no terms of payment are mentioned in the order, the customer is notified of the terms normally applying and their agreement thereto in writing is received before the order is shipped.

As a result of this, there are very few delinquent accounts, because consideration is given to the financial and credit standing of the customer in fixing the terms of payment. We are free to apply any terms appropriate to the individual transaction, subject always to the acceptance thereof by the customer. This policy results in minimum credit losses, and I think it a fair statement to say that losses due solely to poor credit risks are negligible.

When it is necessary to write "collection letters," they adhere strictly to the facts, and full consideration is given to the debtor's current situation. Undue pressure is never applied and reasonable extensions are given whenever justified.

It would take too much space to include samples of such correspondence, but I will quote below from a few, which may serve to illustrate the policy of the company. The following is a letter written to a good customer of our parent company, and should be self-explanatory:

"In accordance with our past practice we are pleased to enter this order as subject to payment on terms of ——— days net.

"We believe you are aware that our standard terms are ———. Notwithstanding this, and because of your relations with our parent company, we have extended you their normal domestic terms.

"Our recent account with you, representing our charges for ——— did not receive prompt attention from your Accounting and Treasury Departments and payments were over ——— days overdue when they were received by us.

"May we ask you, in the case of your present order and any subsequent business, to use your best efforts to arrange for remittances reaching us within the ——— day period. Your kind attention to this will be very much appreciated."

A reply was received, explaining fully the reasons for past delays in payments, and the statements made were entirely acceptable to us. The letter closed with the following paragraph:

"However, in your case we endeavor to make our regular ——— day payments and there is no reason why the orders that we have with you will not be taken care of as we are taking care of our other obligations. We appreciate very much, however, the tone of your letter which we have used as a model in our financial department, for we believe that this letter is not only to the point, but is handled in a very courteous manner."

To this letter the following reply was made, in part:

"Our company, like our parent company, seldom fails to take advantage of the opportunity to assist its good customers in times of need, and we know from what you have said that you appreciate this policy.

"We believe you will agree that when goods are sold on definite terms of payment the suppliers may reasonably expect payments on the due dates, unless the purchasers have requested additional time for reasons which are justified, but at any time you require some special consideration in this way and will so inform us at or before the maturity of the account, we think you need have no concern as to the possibility of our cooperation."

From another customer I quote briefly as follows from one of their letters:

"Patience such as you have shown with our account is indeed unusual, and indicates a faith in our company which is certainly appreciated. We can only say it will be a pleasure to reciprocate with an order whenever we again have need for your type of product. Once more, thanking you for your kind consideration, we are—"

And from another:

"I have to thank you for your very considerate letter of ———, granting me a long extension for the payment of drafts, because of the very unfavorable business conditions we are going through at the present time in this territory.

"This is very different treatment from what ——— and others gave their distributors here, with the consequence that every year or two they have a new distributor and never gain any foothold, which is to our benefit and yours."

I think I have given enough samples to illustrate what can be accomplished by a carefully thought out and intelligently applied credit and collection policy. I welcome any comments, favorable or otherwise, relative thereto.

Gendreau

Speaking of bills . . .

FRED E. KUNKEL, Special Writer, presents to you

Seven result-tested collectors

The following "seven holy apostles" preach an unmistakable sermon—and the debtor is quick to sense their significance. Consequently, results begin to arrive anywhere along the line as the five- or ten-day intervals elapse in quick succession, and when the last letter of this series is ready to go out the ranks of debtors are pretty well thinned out.

The first series is a mild type of printed reminder, thus:

PAYMENT PAST DUE — *Acct. No. 4545*

————1937

To————

According to our records your account is now past due. *Please be good enough to send in your check promptly, or write us and explain when we may expect payment. Kindly look after this* at once.

This printed form is filled out in duplicate on the typewriter, and the original is sent out with the first statement of account as soon as it shows up delinquent. If nothing happens, in five days the duplicate copy of this slip automatically turns up as a reminder to send out Form No. 2, which is another printed form, thus:

TWO REMINDERS

1st—That Your Account is Now Boiling Over! And your cooperation in paying up will be appreciated.

2nd—A duplicate of your last statement of account is also enclosed to remind you of the exact amount now due.

Kindly Send In Your Check By Return Mail, and Greatly Oblige.

If nothing is heard from the debtor in the next five days, out goes Form No. 3, which is another printed reminder, and includes a blank check, dated and made payable in the amount actually due, so that all the delinquent has to do is to fill in the name of his bank and sign the check:

IF YOU MAILED YOUR CHECK JUST THROW THIS AWAY

But if you haven't—just fill in and sign the enclosed check and drop it in the nearest letter box today.

THAT WILL PUT US OUT OF OUR MISERY

On the left of this form is a picture of a letter box, on the right is a picture of a wastebasket, with a red arrow leading to it from the heading, "Throw this away." A blue arrow under the reading matter "letter box today" on the center of the form is pointed to the left and in the direction of the letter box.

It has been well said that a good picture is worth 10,000 words and this graphic reminder certainly proves very effective. Illustrated requests for payment of overdue accounts, like this one, lend a friendly touch to dunning methods, and get under the skin. But if nothing happens again in the next five days, personally typewritten letters are then used, as printed forms are no longer considered of value and this letter goes out:

"For some reason or other, possibly because apples first grew on trees, our ledgers have developed into a roosting place for bills. We have a number of Little Bills, Big Bills, New Bills, Long Bills, Short Bills, Old Bills and Young

Bills on our books.

"These bills apparently have just naturally accumulated, and while they do not represent anything to actually worry about, I feel that they should all be attended to before they all get to be nothing but Old Bills.

"One of these bills is yours!

"Why not send us some crisp new bills in Uncle Sam's currency, for this Old Bill and help us clean up the roost? We would surely appreciate it! May we count on you—by return mail, please?"

If no results follow from this letter, the "pin" letter is now used to prick them into action:

"Here is 'The Magic Pin!' Looks like the common garden variety, but it can work wonders!

"Here's how—

"Business is an exchange of commodities. Money is the medium of exchange. A check is a convenient method of transferring money. You owe us $——. Here is your bill—also a blank check, filled out, dated and everything. All you have to do is to sign your name and fill in the name of your bank—

"Then take out this Magic Pin—(pinned lengthwise here)

"And pin them all together, and drop them into the nearest letter box today. That will not only put you at ease, but it will also put us out of our misery."

Meanwhile, of course, results are flowing into the till, and the reminders alone have been known to pull as high as fifty percent returns on all outstanding accounts, because they only had to be "reminded," while the balance needed to be "nagged," and so the first letter wakes them up and bags about 15 percent more, while the second letter corrals 10 percent additional. Since the balance who do not respond are "hard nuts" to crack, the remaining two letters of this series now tighten up their grip on the customer's pursestrings:

"Gladstone said he never could do a thing until he had to. Some debtors can't see their way clear to pay their debts until they must.

"You have not paid your account, nor advised me when you could pay it, in spite of three reminders and two personal letters.

"Your credit standing *will be seriously impaired unless you send us your check* by the 15th. *I'm not going to write you any more letters or send you any more reminders—the 15th is absolutely the deadline."*

Naturally, we are now nearing the end of our rope, and if the debtor does not pay up, this time we take just one more long, last and final chance with this letter:

"Let's sit down and talk this thing over. You, no doubt, want to pay us and we want to see you get this account out of the way. You have other obligations, no doubt. You can't pay them all at once. But we can help you pay this one off. Let's get together and discuss the matter.

"But if you fail to reply to this letter as you have in the past, I'm going to file suit on the 30th, *and obtain a judgment against you. Surely you don't want this sword suspended over your head?*

"Then why not come in and let's talk this thing over in a friendly way while yet there is time. I'm sure you've got some reasonable excuse to offer and I'll be glad to make all reasonable allowances in your behalf.

"I'm waiting—until the 30th—no longer!"

Of course, this is the straw that breaks the camel's back, and into suit the account goes if the debtor is worth it, and a judgment is obtained. If not worth a judgment, the account is turned over to one collection agency after another to hound the debtor to death.

Efficient — these tax collectors!

The efficiency of American tax collectors is upheld in a survey recently made by the Special Committee on Taxation of the Twentieth Century Fund which shows that the administrative cost of most state taxes is less than three, and often less than one, per cent. The survey is discussed in detail by Thomas J. Reynolds in the volume of "Studies in Current Tax Problems," published by the Twentieth Century Fund.

The survey was made on the basis of investigating the cost of administering the chief forms of taxation used by the various states. Wherever possible, national averages were computed and these give a rough approximation of the differences in administrative cost of one tax as compared with another.

The gasoline tax, whose national average is a cost of approximately one-half of one per cent of the gross revenue, comes close to being the star of the troupe in the point of administrative costs. The national average for motor-vehicle taxes runs close to seven per cent for administrative costs. Pennsylvania found that it took 1.5 per cent of total revenue to collect its taxes on property; New York spent 0.55 per cent of revenues in collecting corporation taxes; and the national average for collecting state income taxes was approximately 1.75 per cent. In the field of sales taxes, California finds that hers cost 2.25 per cent to collect, Illinois reports an administrative cost of 2.3 per cent and the Maryland figure was 4.77 per cent.

In commenting on the survey as a whole, Mr. Reynolds warns against a too literal and too exact interpretation of its results. He points out that there is no way of estimating such a factor as tax evasion, for instance, in judging the efficiency of one form of tax as compared with another, and there are other variables similarly difficult to estimate.

Mr. Reynolds thinks, however, that the figures justify such general conclusions as the following: "A state income tax under any reasonable circumstances is much more likely to cost two per cent than ten per cent of revenue collected, a state gasoline tax is much more likely to have administrative costs of 0.5 than five per cent, and highway revenues can be collected with considerably less administrative expense through a gasoline tax than through a system of heavy motor-vehicle license fees."

"... or else!"

A discussion of "threat" collection letters by "Printers' Ink" presents some interesting points

An experienced credit correspondent has said: "The toughest collection letter to write is the next to the last in a series. The last one isn't so tough because by that time you have become reconciled to losing the account anyway and so you give notice of suit or else threaten to sue.

"Where the most skill is required is in writing the letter to the account that is almost hopeless but that you would still like to save. You know that in at least 50 per cent of the cases you will probably have to resort to suit anyway and you would like to have your debtor know that you are through fooling. Yet you aren't quite ready to take off the velvet glove and show the iron hand—although you don't mind if a few rust spots show through the velvet."

In most resultful collection letter series the first and second letters are likely to be fairly simple statements of indebtedness, hardly more than standard bill forms. And these usually pull from 60 to 80 per cent, either of accounts paid in full or partial payments with promise of full payment later. But as the credit correspondent just quoted pointed out, the difficulty in any collection series comes in the last few letters.

Here is a threat letter, but with the threat so delicately veiled that good-will is not likely to be lost except with the most touchy customer:

Dear Mr. ....:

An anecdote is told about Benvenuto Cellini, the celebrated 16th Century goldsmith and master of all trades.

It seems that Cellini, after months of pains-taking labor upon a cunningly wrought gold vase that he had been commissioned to make for the Bishop of Salamanca, was unable to collect his fee. The Bishop took the attitude, "Try and get it!" Exasperated and in need of funds, Cellini called upon the lagging debtor one day and, pointing his pistol at him, exclaimed, "Pay or I shoot!" The Bishop paid and Cellini went on his way, rejoicing.

This simple and direct method of collection has its parallel in business today. When every other amicable means of getting our money has been exhausted and the debtor, as did the Bishop, simply refuses to pay, we say, "Pay or we shoot!" And we mean it. Our "gun" is the (name of collection company), and it never misses.

Don't force us to unlimber this weapon to collect your account. We don't like to shoot the darn thing off because it makes a big noise and somebody always gets hurt.

P. S. The amount of your overdue account is $.........

Here is the fourth letter in a particularly productive series:

When a man asks another man a question four times in a row without receiving an answer, he generally forgets the man. And I feel that this is what I am more than likely to do in your case. But it does not mean that I am going to ignore you altogether. I can't forget that you owe a balance of $......... on your purchase made .... And apparently there is only one last resort. I hate to have to ask my lawyer to do anything for me along the line of collections. And the truth of the matter is I've had to ask him to act for me but once within the past year in such capacity.

Don't you be the one to make it two. Send your check along right away. The lawyer may feel a little bad about not getting the job, but I'm sure both of us will feel much better.

Cordially yours,

The fifth and sixth letters from a series used by a parts manufacturer are good examples of series closes.

Letter 5.

I simply hate to do it. . . .

I hate to take the steps that will ultimately result in a forced payment of the bill.

I hate to jeopardize your good standing in the field and your credit rating with other manufacturers.

And what's more I hate to lose my confidence in you, because you have always paid your bills promptly, and I sincerely believe that you will continue to meet all of your obligations in the future.

But the fact remains that you owe us $........ since last ...., that you have made no attempt to pay nor to explain why, and unless I hear from you by Monday night ...., as much as I hate it, I will be forced to take legal steps. . . .

Please, don't let me lose my confidence in you.

Letter 6.

Only a wire will stop it now . . .

You haven't paid any attention to our repeated requests for payment, and although we offered you every co-operation up until last week, you entirely ignored us. Last week we gave you until Monday night—to pay the $............ you owe us since ....

Today we placed your account in the hands of our attorneys, and the only way you can stop the sure, swift and costly proceedings of a suit is to wire us—right now.

The fifth and sixth letters in a series used by a paint company; also excellent examples of closes:

Now, listen, Mr. Jones:

Don't you think that—

If we owed you $50 and the account was almost two months overdue, YOU would want one of two things without further delay; either the money, or a reasonable excuse as to why it was not forthcoming?

You bet you would. You'd be entitled to it.

Well—that is what we want. We want your check in payment of your account, or, we want a reasonable explanation as to why you are withholding payment, and a definite statement as to when we may expect the check. And, not later than Wednesday, January 8th, please!

A square deal—is all we ask.

• • •

Do you want us to place your account of $50 in hands of our lawyers?

We don't want to, truly. We do not like to have lawsuits with our customers.

But—

You have now had our merchandise four months, and we have kindly asked you for our money five times. If you do not pay us willingly, what else is there for us to do, Mr. Jones?

It's up to you!

Are you, therefore, going to compel us to hand the matter to our attorney on March 11th; or, will you have your check in our hands by March 10th?

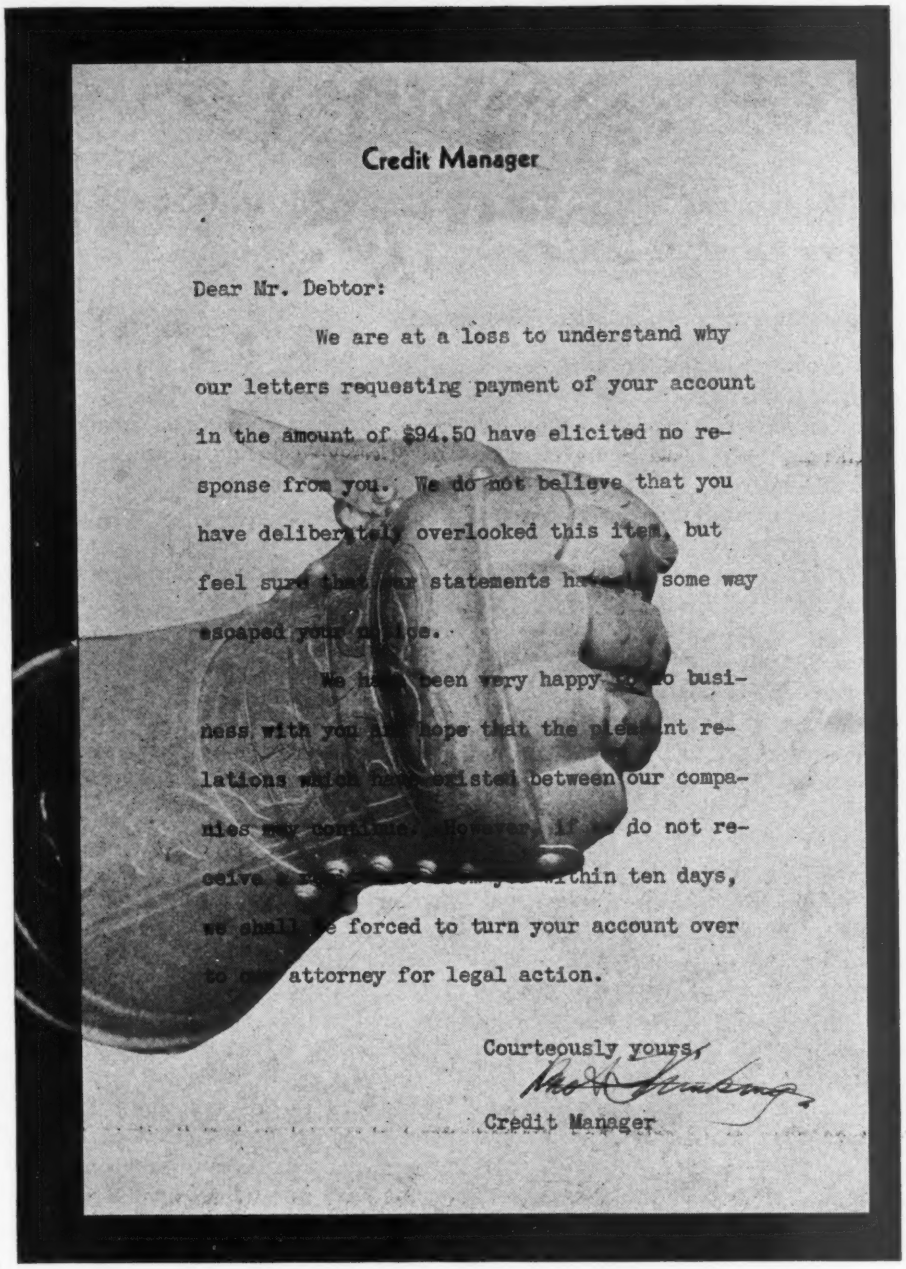
A letter that contains no implied threat but is pointed enough to get a reply if the debtor has any intention of paying is this one:

Gentlemen:

It must be careless oversight!

Time flies fast and many days have we looked for your past-due remittance.

If it's just carelessness—pay it today. If



Credit Manager

Dear Mr. Debtor:

We are at a loss to understand why our letters requesting payment of your account in the amount of $94.50 have elicited no response from you. We do not believe that you have deliberately overlooked this item, but feel sure that our statements have in some way escaped your notice.

We have been very happy to do business with you and hope that the pleasant relations which have existed between our companies may continue. However, if we do not receive a [illegible] within ten days, we shall be forced to turn your account over to our attorney for legal action.

Courteously yours,

Credit Manager

there's another reason—write us.

We can understand everything but silence.

As final examples for this article, we have letters seven to ten of a series which has pulled in many a reluctant dollar. Notice what might be called the crescendo of threat as these letters build to the final demand:

Seven

There's inevitably a breaking point!

It's that way with our patience sometimes, and one of those sometimes is just around the corner.

Don't for your own sake, ignore your (name of house) bill a minute longer. Never mind our side of it; consider your side, the credit reputation involved, the * * *, well, just stop to think that you owe (name of house) $......, have owed it for..........long months.

Eight

Do we, or do we not?

In other words, shall we adjust your (name of house) bill amicably, or shall it be the other thing?

There are two choices * * * your check for the amount of your long overdue bill, $........, or a plan which will assure us that this bill is to be paid.

We prefer the check.

Nine

This note requires an answer by return mail.

Do you intend to pay your (name of house) bill which is now........months overdue?

The amount is $...........

Remember, please, * * * by RETURN MAIL.

Ten

Unless we receive your check on or before (date) our attorneys will receive instructions to summon you to court.

The amount of the claim is $.........

It is never a pleasant business getting tough with customers, but the time comes when some kind of toughness is really the only solution. That it is possible to be both tactful and tough is indicated rather strikingly by a number of the letters quoted in this article.

Discrimination against older workers

Discrimination in employment of middle-aged workers exists in practically all industrial areas of New York State, according to the recent report of the joint legislative committee of that State appoined to investigate the subject. Among the alleged causes for this discrimination are increased accident-compensation and group-insurance rates; the greater susceptibility of older workers to occupational diseases; increased rates for employers under pension plans; speedup in industry; the elimination of middle-aged workers by technological changes; the belief that younger men may be hired more cheaply, are trained more readily, and are more efficient; the public demand for young people in certain occupations; the failure of employers to train employees for middle-aged usefulness; and the age limits for appointments to Federal, State, and municipal services.

Cooperative telephones

More than 460,000 subscribers were estimated to have utilized the services of cooperative telephone associations in 1936. This estimate was reached in a study by the Bureau of Labor Statistics in which it was found that this type of cooperative association was particularly numerous in the rural areas of the Middle West. The organizations varied widely in size, ranging from groups of some half dozen members, owning a single party line, upward to organizations of several thousand persons serving a whole county. Although telephone operation does not appear to be a field of business offering any great possibility of much future expansion, cooperatively, associations now in operation are rendering a necessary service at very moderate cost.

Measuring collection efficiency

by H. E. KAY, Credit Manager, Industrial Brownhoist Corp., Bay City, Michigan

The fact that you are about to read this article indicates two things: first, that you are one of the highly privileged members of the National Association of Credit Men and, secondly, that you are sufficiently interested in your job to really wish to know how efficient you are. Unfortunately there are thousands of men and women engaged in the work of credits and collections who are largely in the dark as to the distinct advantages accruing from affiliation with this great organization.

At the same time I fear there are far too many credit managers among Association members who are so busily occupied with routine matters that they do not take the time to profit by reading the helpful articles which are published from time to time in this publication.

Back in the year 1930, while engaged in the duties of Assistant Comptroller, I was requested to develop some kind of a report to measure the efficiency of the activities of our Collection Department. The Credit Manager had developed a little system of his own whereby he endeavored to show with graphic charts how good a job was being done. Strange as it may seem it was not possible at that time to arrive at a really satisfactory basis for comparing the actual results with any recognized standard.

At the time of a complete reorganization in the latter part of 1931 the responsibility for handling credits and collections was transferred to the writer. Back in those days the accounts receivable balance represented anywhere from two to three months of sales volume. Through the adoption of more conservative credit policies, as well as consistent collection activity, the relation of accounts receivable to sales was considerably improved. The average accounts receivable turnover for the year 1934 was only thirty-seven days with regular thirty-day terms. There was no means, however, of telling how this record compared with that of other efficient credit men who had much longer experience and greater capacity.

It was with a great deal of interest that I read a letter from Mr. Henry Heimann, our executive manager, on October 14, 1935, outlining a proposed study to be carried on by the United States Department of Commerce in reporting sales volume and collection percentages of both manufacturers and wholesalers.

Because 1150 manufacturers and wholesalers out of the 20,000 N. A. C. M. members indicated their willingness to cooperate in such a study, the Bureau of Foreign and Domestic Commerce inaugurated it in January, 1936. The fact that the number of cooperators had increased to over 3300 by July, 1938, affords ample proof that the study is worth while and must be serving a very useful purpose.

The first publication presented percentage changes in sales and median collection ratios for various lines of trade and industry. The same month of the previous year and the preceding month were used as bases for comparison to show year to year and seasonal changes.

Due to the combined efforts of the Department of Commerce and the Association, the number of wholesalers and manufacturers contributing their information has increased steadily so as to give a much better representation in the various industries. In spite of this progress there is still room for further improvement. The particular object of this article is to point out to non-cooperating members the distinct benefits which they may derive through very little effort on their part.

All that is required is that you report monthly three figures to the Government as follows:

1. Total net sales invoiced.
2. Accounts receivable outstanding at the beginning of the month, less reserve for bad debts.
3. Total collections on accounts receivable during month.

A card is mailed to each contributor giving space to fill in this information for the month just past, the previous month, and the same month of the previous year. A detailed report is mailed to each cooperator about the end of the following month and it is also published in "Credit and Financial Management."

As far as the mechanics of compiling the information is concerned, this is a very simple matter. A standard columnar sheet can be used to list the various information required. This permits the preparation of the report in a few minutes.

All that is required is an initial report from the Accounting Department for the past year showing monthly the sales invoiced, the gross accounts receivable at the beginning of the month, balance of the reserve for bad debts, and the total cash collections on accounts receivable during the month.

Subsequently a brief monthly report can be made. All of these figures are readily available from the general ledger. The collection percentages are computed by the Government department as well as the percentage changes in sales and accounts receivable.

During recent years, with the development of so many Government Bureaus in Washington, there has been a tendency to increase appreciably the number of statistical reports of one kind and another. In order to permit the preparation of these reports it is necessary to secure much information from manufacturers, wholesalers, and retailers in the form of monthly reports. Along with this development there seems to be an aversion on the part of many business men to cooperate because of a feeling that the value of many of these studies does not warrant

the expense and effort involved in their preparation.

While it *may* be true that *some* of the various Government reports could be discontinued or simplified without any great loss, at the same time it must be recognized that many of these studies have proved to be of very real value in providing authentic basic information which heretofore was never available.

The Bureau of Foreign and Domestic Commerce is maintained primarily for the benefit of business interests. It is their aim in the preparing of their studies to compile the information to make them as useful as possible. As long as your firm is helping through taxation to pay for the operation of this department it would seem only logical that you reap whatever benefits are obtainable. Possibly your attention has never been drawn particularly to this matter and that your lack of cooperation in the past has not been intentional.

It will be noted that in the report for the month of July the number of wholesalers reporting their sales was 2260 and of this number only 1302 reported inventory figures and 1867 collection figures and accounts receivable. In the report of the manufacturers there were 1105 reporting on sales and only 754 reported collections and accounts receivable. This article has already pointed out that the mechanics of preparing the *complete* report can be reduced to a very simple basis.

There should be no fear of any figures being disclosed to the detriment of any contributor inasmuch as an act of Congress definitely forbids the disclosure of individual figures submitted in confidence to this Bureau. They are submitted by code number and used only in the preparation of statistical reports. They are not available for purposes of taxation, regulation, or investigation. Consequently it seems practically impossible that any firm could suffer by the submission of all of the information covered by this study.

Ever since the inauguration of the study I have been keenly interested to check each month our own collection percentage with that of the other firms in our particular industry of machinery manufacturers, of which there are now 124 contributing members.

Since the further refinement of the study it is also possible to compare the change in outstanding receivables. It is, also, extremely interesting to note the relative volume of sales in the various industries most of which include customers of our own. Much of this information is very useful to the sales department as a guide for promotional work.

Get an idea

of the business picture in the wholesaling and manufacturing field by checking the statistical data prepared in the cooperative survey of the U. S. Department of Commerce and the National Association of Credit Men each month, and presented under the heading "The business thermometer" in "Credit and Financial Management," regularly.

Get an idea

of what's ahead for business by checking the cumulative figures which we are now presenting each quarter in the tables. In the August issue they appeared for the first time under the heading "Sales for six months 1938" in both the manufacturers and wholesalers classification. They appear again in this November issue and will be included regularly hereafter every three months, the next tabulation being scheduled for February.

One very effective way of pointing out the efficiency in the handling of collections is to prepare a graphic chart showing curves for sales, outstanding receivables, and collection percentage each month. Along with these data the average collection percentage of your particular group can be charted so that you can tell just how you measure up in comparison with other firms in your own industry.

The program follows no rigid formula but attempts to expand the scope of the study as fast as possible. By cooperating with trade and industry associations the Bureau hopes to further consolidate the gains made in some lines and obtain reports from more representative groups in lines which have not yet been fully acquainted with the program.

Toward the close of 1937 the increasing magnitude of the business recession resulted in a mounting interest in more adequate information with regard to inventories and their relation to sales. One of the focal points of interest in this respect was the situation in the various wholesale trades. As a result of this keen desire manifested by many business men to be better informed as to movement of goods, the regular monthly bulletins covering all lines of wholesale trade was expanded to include inventory information by lines of business and by regions. This information was first published in December, 1937 and by July, 1938 there were 1300 wholesalers reporting monthly inventories.

This is an important beginning in supplying answers to many questions on this subject which business men have been asking for years. Not only does the wholesaler have some indication of his own stock situation as compared with the average for his own trade and geographical region but the manufacturer finds the data of extreme usefulness in preparing and carrying out his sales and marketing program.

At the present time steps are being taken to collect inventory information from manufacturers and in some industries they have already begun to submit this data. The cooperation of all manufacturers is requested in this phase of the expansion of the program.

During 1937 extensive promotional work was carried on among the wholesalers of electrical goods, drugs, and hardware. This resulted in an increase in the reporting group to the point where the adequacy of the available data warranted the initiation of special trade summaries in these fields. Inventory data were added to sales and collection information already reported and in the case of drug and hardware industries special summaries included data on manufacturers, wholesalers, and retail trade. Thus in a single publication there was reviewed the current condition of a complete industry from manufacturer through the wholesale and retail distributors channels to the ultimate consumer.

During the early part of 1938 a similar special monthly bulletin was added for the food industry. It will be readily noted that there are splendid

possibilities for good in the further development of this study to include other industries provided business firms give the necessary cooperation.

At the present time the Bureau is working very closely with the National Association of Credit Men in an effort to secure a larger number of reporting firms from our Association membership. We certainly hope that many more of our members both in industry and trade will take advantage of this opportunity to participate in such a mutually profitable undertaking. By the time this article appears in print, descriptions of the program will have been mailed to all members who are not yet cooperating or who have not yet indicated their inability to take part in the program.

Finally, as of special interest to credit men it is planned to collect at the end of this year definite information on percentage of bad debt losses. It is intended that these data will be collected each year hereafter or at more frequent intervals if it appears to be the desire of the cooperating firms to check this information oftener. While it is realized that credit losses amount to a staggering sum each year it is also true that the ratio to sales is much higher in some industries than others. Certainly it will be a fine contribution on the part of the Department of Commerce to supply authentic information on this important subject. It will undoubtedly stimulate many business organizations to take the necessary steps to reduce their credit losses to a point more in line with other firms in the same industry. It might also cause certain industries with excessive losses to attack this problem in an aggressive manner if the true facts are clearly revealed.

The Bureau of Foreign and Domestic Commerce in connection with its retail reporting work also is contemplating the collection of information on the volume of accounts receivable and collections by lines of trade in the retail field. The actual publication of this information probably will not take place for some time as the active cooperation of Associations in the retail field, as well as of the large number of individual retailers, is essential to such an undertaking.

In the booklet issued early in 1937 by the National Association entitled "The Biggest Chapter in Business History," this study of the Department of Commerce was listed as the outstanding achievement for the year 1936. We bespeak the hearty cooperation of all members in developing this study to a greater usefulness through a wider coverage in the number of firms as well as an increase in the amount of information covered. In this way every member firm, as well as their credit managers, can take particular pride in the part which they have played in furnishing to the nation's business leaders authentic information which should prove invaluable in helping to maintain operations of private enterprise on a profitable and intelligent basis. At the same time it will be possible through further developments of this study for every credit manager to judge for himself as to his own efficiency in the handling of his job.

Management's significance

Management is the directing of appropriate combinations of all the relevant factors which produce goods or services and make them available for use, says Chester I. Barnard, President, New Jersey Bell Telephone Company, in "The Management Review."

It is required both in business and in all other cooperative undertakings—for example, in government, politics, education and religion, he points out. When conditions — especially public opinion as to what is desirable—are stable, many factors can be taken as fixed, and only the others need be given much attention. When conditions, including public opinion, change, few factors can be regarded as fixed, and all of them in combination must be approached constructively.

Management of all kinds is now conscious of lack of adjustment to its times. Neither an attitude of injured surprise nor one of defense, nor the proclaiming of past competence and achievements, will satisfactorily meet present-day conditions. Changes must be intelligently appraised and constructively dealt with. What need defense and support are constructive proposals.

In business in the past there has been effective concentration on finance and on the technology of production and the distribution—especially the selling—of its results. Government, legal rights and obligations, labor as a social factor, the organization of human beings as a productive process, and public opinion as to what is desirable—in its most active form known as political conditions—have been relatively taken for granted, and usually not treated as critical factors. All of them now have radically and irrevocably changed.

These changes require, first, a rapid modification in the points of view, or the attitudes, of experienced managers. What was good as respects these factors and their combination is presumably no longer good enough. With new attitudes, there must also be developed new knowledge and new techniques, especially in treating with political, labor, and organization processes and conditions. And finally there is now required a further development of morals. The words "integrity" and "honesty" have well-understood meanings in technology and in various phases of finance and marketing. They have much less accepted or no meanings in connection with the treatment of the individual personality, or the political and social aspects of the productive and distributive factors of industry.

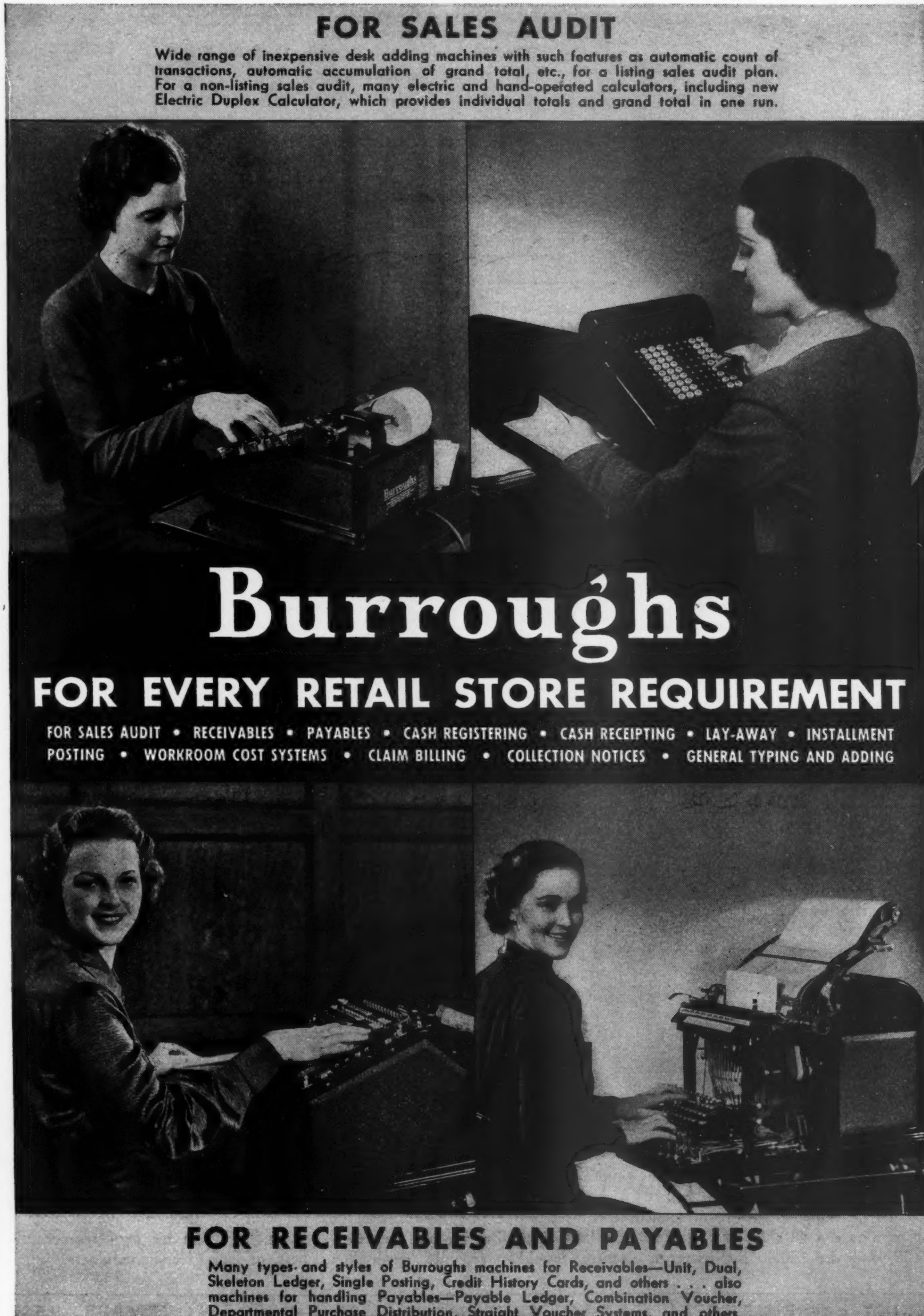
Management's problem

"The problem of management always is to operate under conditions confronting it. Experience in world business convinces us we are more efficient if we think only of coping with actual conditions and do not allow ourselves to be individually depressed on account of them.

"It has been said that the only permanent thing in life is change. Whether this is demonstrable or not, we certainly are living in a changing world. We are in a great trial and error period in the world's history.

"But to a greater or lesser extent this has always been so and always will be so. Normalcy and stability are words of nostalgic reminiscence and do not indicate actual realities. We long for the peace and quiet of the old days and at the same time we move farther away from them by improving our business methods each year."

—Carle C. Conway, Chairman, Continental Can Company.


FOR SALES AUDIT
Wide range of inexpensive desk adding machines with such features as automatic count of transactions, automatic accumulation of grand total, etc., for a listing sales audit plan. For a non-listing sales audit, many electric and hand-operated calculators, including new Electric Duplex Calculator, which provides individual totals and grand total in one run.
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FOR EVERY RETAIL STORE REQUIREMENT
FOR SALES AUDIT • RECEIVABLES • PAYABLES • CASH REGISTERING • CASH RECEIPTING • LAY-AWAY • INSTALLMENT POSTING • WORKROOM COST SYSTEMS • CLAIM BILLING • COLLECTION NOTICES • GENERAL TYPING AND ADDING
FOR RECEIVABLES AND PAYABLES
Many types and styles of Burroughs machines for Receivables—Unit, Dual, Skeleton Ledger, Single Posting, Credit History Cards, and others . . . also machines for handling Payables—Payable Ledger, Combination Voucher, Departmental Purchase Distribution, Straight Voucher Systems, and others.

Will customers buy own A/P?

(*Cont. from p.* 16) acknowledge the account at the bottom of the creditor's statement in such form as this: "For value received, I owe the above $...." This is dated and signed by the customer. The reason for this will be immediately apparent.

When an account comes to us it is usually long past due. The creditor says to us by implication, "I have been unable to collect this account. Please see if you can improve my position." To the customer, allowing this account to remain past due has become a habit. The creditor, no doubt, has made many dire threats, none of which materialized. When the customer hears from us he is shocked out of his smugness. He approaches us, feeling somewhat mystified. Although we have made no threats, he is curious to know what's next.

This gives us an opportunity to resell the customer on the creditor's merchandise, and the justice of his position in placing the account with us for collection, and incidentally, to secure a written acknowledgment such as a note and to use to advantage our premium plan. Psychologically, it is quite a load off the customer's mind to give us a note or other written acknowledgment, setting out certain terms of payment, which in most cases is substantially maintained, for the reason that in doing so he has, to his own satisfaction, completely wiped out the past due account and has opened a new current account with us which he hopes to keep current by maintaining his schedule of payments.

To illustrate one premium plan, we invariably, and upon our own motion, add the following to the note which we have placed before the customer for his signature: "Interest on this note will be waived if each and every instalment is paid on or before its due date." We call this to the customer's special attention and he seldom fails to take full advantage of its terms.

Another plan which has been effective in many instances involves compromise settlements which are constantly being discouraged, but we presume will be with us as long as there are buyers and sellers. Suppose we are directed to compromise a $100.00 account for $70.00, and the $70.00 settlement is to be paid in ten weekly installments of $7.00 each. We secure the customer's written acknowledgment, but not for $70.00. The acknowledgment is for $100.00 with a written stipulation that for every $7.00 paid by the customer he will be given credit for $10.00. Need we elaborate on the premium incentive for the customer to go through with his part of the agreement?

One of our sales minded adjusters had the following experience: He was sent to collect approximately $350.00 from the proprietors of a suburban food store that did not have over $200.00 worth of assets in sight. They offered to pay $50.00 a month, with one simple little string attached to their offer, and that was that the first payment was to be made one month after the date of our adjuster's call. Obviously, this very liberal offer, considering the assets in sight, was made to get rid of our adjuster. He countered with an offer to accept $30.00 a month.

The customer became very enthusiastic over the generosity displayed by a proverbially hard-boiled collector. Our adjuster agreed to accept $30.00 a month, instead of the $50.00 offered by the customer, providing it was paid to us at the rate of $1.00 a day and as this particular store was open seven days a week, it was agreed that $1.00 in currency would be mailed to our office every day in the week.

The sequel to this story is that the customer remitted $1.00 a day for over one year, paid this account in full, and continued in business for several years. Had "drastic action" been used to enforce payment of this account, the creditors, including the one we represented would have only received a fractional part of a dollar.

To each cooperator in the drug, electrical, hardware and food fields, in the joint survey, by the Bureau of Foreign and Domestic Commerce and the National Association of Credit Men, of manufacturers and wholesalers' sales, collections, inventories and accounts receivable figures, special reports are sent regularly on month-to-month developments.

These cover manufacturing, wholesaling and retail data thus giving the survey contributors in these four fields a complete statistical picture of the industry.

Then there is our APPLICATION FOR EXTENSION OF TIME FOR PAYMENT. You will notice that COURT EXPENSE, CARRYING CHARGES and INTEREST are spoken of in a sense exactly opposite that in which these words are usually employed in similar documents:

Application for Extension of Time for Payment

Portland, Ore...............

To The Adjustment Bureau of the
Portland Association of Credit Men,
471 Pittock Block,
Portland, Oregon.
File No.......... $..........

Gentlemen:

The undersigned acknowledges to be indebted to....................in the above amount, and as the undersigned is unable to pay this amount now in a lump sum, would appreciate an opportunity to pay the same in instalments, and avoid any court expense.

If the creditor named is agreeable, the undersigned promises to pay at your office at 471 Pittock Block, Portland, Oregon the sum of $..........on the........day of.........., 19...., and a like amount on the same date of each month thereafter until this account is paid in full. In case of failure to make any payment as herein provided, the whole sum may become due and payable immediately and without notice or demand.

If this application for additional time to make payment of the amount in instalments is accepted, and the undersigned makes payment in accordance with the conditions hereof, the amount above stated is to be accepted in full settlement of this account, and there are to be no further interest or carrying charges of any kind made to the account.

Very truly yours,
(Signed) ....
....
Address ....
'Phone No. ....
Reference or employed by................
Address ....

The word "uncollectible" is taboo in our Collection Department correspondence. That does not mean, however, that we are infallible and collect every account that is referred to us, because we do not. When we return an account to a creditor we tell him that we are returning it "unpaid" or "uncollected," giving our reason which is a statement of fact. "Uncollectible" is an opinion only and we prefer facts to opinions where the option of selecting is ours.

Our experience with customers (debtors) located in every state and territory of the Union, and many foreign countries, has convinced us that the amount and kind of salesmanship that can be used by an adjuster or collector to collect past due accounts is limited only by his own resourcefulness, or lack of resourcefulness.

Collections by telegraph

A survey among prominent credit managers, all members of the National Association of Credit Men, reveals the use of a telegram a common procedure in collecting over due accounts, with many managers reporting amazing results through this medium.

"Where I want quick action I do not hesitate to use the telegram," is the general tenor of the replies to the survey.

Probably a most logical form of procedure, indicated by the response of outstanding authorities, is to send a request first by mail about two days after the bill is past due. This is followed up by a form letter in a week, and by a dictated letter a week later. If unsuccessful, these efforts are then supported by a telegram, simply asking for a reply to the last letter, and if the telegram does not bring results within three days, the following day letter telegram is dispatched:

"WE HAVE OUR CHOICE OF FILING SUIT ON YOUR ACCOUNT OR COLLECTING WITHIN FORTY-EIGHT HOURS. WILL YOU HONOR DRAFT FOR (AMOUNT) OR ARE YOU SENDING CHECK PLEASE REPLY BY WIRE TODAY GIVING BANK CONNECTIONS IF YOU PREFER DRAFT SETTLEMENT."

The individual manager employing this method advised his percentage on this class of collection runs between 70 per cent and 80 per cent. Others report use of telegrams works as frequently as 95 per cent of the time.

A somewhat simpler rule followed by many credit authorities who employ telegrams extensively is that failure to answer three letters justifies a telegram, which unmistakably emphasizes that further procrastination cannot be tolerated.

A few collection telegrams "tested" by competent authorities include:

"Closing books in few days. Won't you mail check?

"Unless remittance reaches here (date) legal action must start.

"Urgent we receive immediate and favorable reply our letter (date).

"We must have remittance at once."

One of the new luxury ocean liners carries midget life preservers for each dog in its kennels.

This month's collectors:

Submitted for the approval of our readers

by L. W. JORGENSON
Benson Furniture Company, Inc.
Sioux City, Iowa

Dear Sir:

WE ARE THANKFUL

For the bountiful crops that have been produced this year.
For the increasing spirit of optimism that prevails.
For the increasing prosperity we enjoy.
For the good will our satisfied customers have given us.
For the promptness our customers have regarded their obligations.

Yours sincerely,

P.S. Just noticed your account has not yet received your attention. Thanks.

by V. D. STUART, Credit Manager
Oakland Tribune, Oakland, California

Dear Mr. Debtor:

Sometime in June 1936 a gentleman visited this office representing to be a dentist with an office in Oakland. This gentleman made such representations to the writer than an advertising account was opened for the doctor's convenience.

Quite a good many advertisements were published per the doctor's orders and were very well taken care of from time to time. One advertisement in particular on March 7, 1937, for which we made a charge of $75.80, has not been paid for and the doctor left town shortly after this latter date.

We have written letters, sent telegrams and have requested Stores Collection Bureau to visit the doctor's office in Sacramento all in the interest of making collection of the aforesaid $75.80.

This letter is being addressed to you to ask you what you would think of a doctor who would cause a newspaper so much trouble to collect so small an item as $75.80.

Would you think a patient of the doctor who would leave town and not pay for a $75.80 dental bill to be very honorable?

Perhaps you may feel inclined to reply to this communication.

Very cordially yours,

"From time to time collection letters have been published in your magazine which have been productive of good results," Mr. Stuart writes in submitting his letter.

"One is submitted herewith. It worked and we received the money by return mail. Names, places and amounts in this copy are fictitious for obvious reasons. The letter was written to the Doctor who owed the money and who ordered the advertising. He removed to another city and may have thought that we would not follow him. The letter was written in the third person to avoid offense. You may call it a 'stunt letter' if you like, but 'stunt letters' are not worth the effort unless they state the case exactly."

A great deal of collection letter writing, however, can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record: The Credit Interchange System of the N.A.C.M.

Latin American credits and collections show mixed trend

Reflecting the recent European crisis and the reverberations in the financial markets, Latin American credit and collection conditions in the third quarter of this year revealed some measure of instability, according to the current 40th quarterly survey released by the Foreign Credit Interchange Bureau of the National Association of Credit Men. (Charts based on this survey appear on page 30.)

Eight Latin American countries reveal an improvement in collections but a decline is noted in 12. The former include: Colombia, Bolivia, Ecuador, Uruguay, Costa Rica, Mexico, Honduras and Salvador. The downward movement in the collection index is most noticeable in Brazil and Chile.

The study notes that collections by American exporters selling to Mexico are slightly improved, indicating "that the responsible buyers in Mexico are making every effort to meet their obligations in spite of a declining peso."

Outstanding improvement in credit conditions is revealed in four countries: Bolivia, Guatemala, Dominican Republic and Colombia. But a continuation of the decline noted in the previous survey is evident in other Latin American markets: Chile, Cuba, Haiti, Uruguay, Brazil and Ecuador.

"There is no doubt," the Bureau reports, "that the recent disturbed conditions in world economic and political life have had their reflections on credit and collection conditions in Latin America. A disturbed situation in world financial markets and a particularly wide fluctuation in the value of the major currencies of the world occurred during the third quarter of the current year. Fortunately, these are now more or less stabilized.

"This condition probably accounts in some measure for the trend on the part of Latin American importers to delay payments whenever possible in the immediate past, hoping to take advantage of any undue exchange fluctuation that might have occurred in their favor."

The classifications for the various countries, as listed by the survey in regard to collections, follow:

PROMPT: Venezuela, Peru, Panama, Argentina, Costa Rica, Dominican Republic, Puerto Rico, Guatemala, Salvador, Colombia, Cuba, Haiti, Mexico, Chile.

FAIRLY PROMPT: Honduras, Ecuador, Paraguay, Brazil.

SLOW: None of the countries are in this classification in this survey.

VERY SLOW: Uruguay, Bolivia, Nicaragua.

Horses vs. tractors

Sirs:

Just received our copy of the October "Credit and Financial Management." We were gratified to see the cover picturizing farming with a mighty fine span of three horses and good harness.

Quite naturally we are very much impressed with this instead of seeing farming picturized with tractors since we ourselves are manufacturers of harness and saddlery goods for the past seventy-five years and we have spared no effort and expense with other manufacturers in a national advertising campaign, that has been conducted for the past several years, maintaining that the farmers' salvation in an economical crop is the use of horses and mules, for which he raises his own feed and thereby has no operating expense in the way of gasoline and oil.

Neither will a good span of mules or horses depreciate in value over a period of fifteen years, whereas the average tractor depreciates 90% or the value of it is practically nil after three years of operation. Besides, horses and mules on a farm will reproduce themselves, which is not the case with the tractor.

Could not help but to express our feelings after seeing the cover.

Yours truly,
H. T. Biar, Credit Manager
THE SCHOELLKOPF COMPANY
Dallas, Texas

U. & O. coverage and coinsurance

How the certified public accountant looks upon use and occupancy insurance before and after a loss was the subject of a studiously prepared paper by Frank S. Glendening, Philadelphia, which dealt with application of the coinsurance form to use and occupancy covers, "The Eastern Underwriter" reports.

The 100 per cent coinsurance clause compels the assured to take more coverage than he is likely to collect. In order to circumvent the apparent difficulty of requiring too much insurance, most jurisdictions have admitted an 80 per cent coinsurance form.

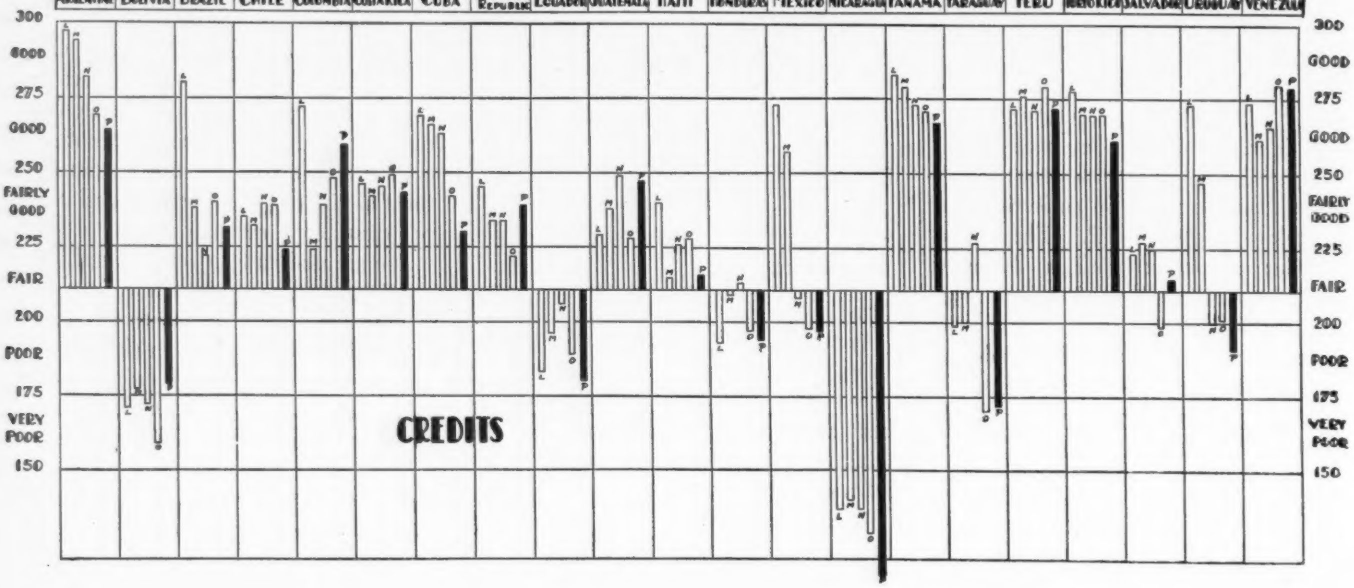
No assured can properly comply with requirements, because there is a lack of definite knowledge as to the profits that might be earned during an unknown 12-month period which would immediately follow a fire loss of an unknown date. Continuing expenses would vary, depending upon the circumstances of the loss and the length of the interruption period.

In setting up the values for coinsurance forms of mercantile establishments it has been common practice to deduct from sales only the cost of goods sold, including inward freight, express and cartage, discount on sales, ordinary payroll, and the cost of heat, light and power.

This procedure obviously requires the assured to pay premiums on items such as bad accounts, store supplies, collection expenses, sales taxes, and direct sales commissions. Most agreed amount statements, however, permit the assured to deduct these items when computing the use and occupancy value. It seems inequitable that the assured should be required to carry insurance on expenses which under no circumstances could be collected by him.

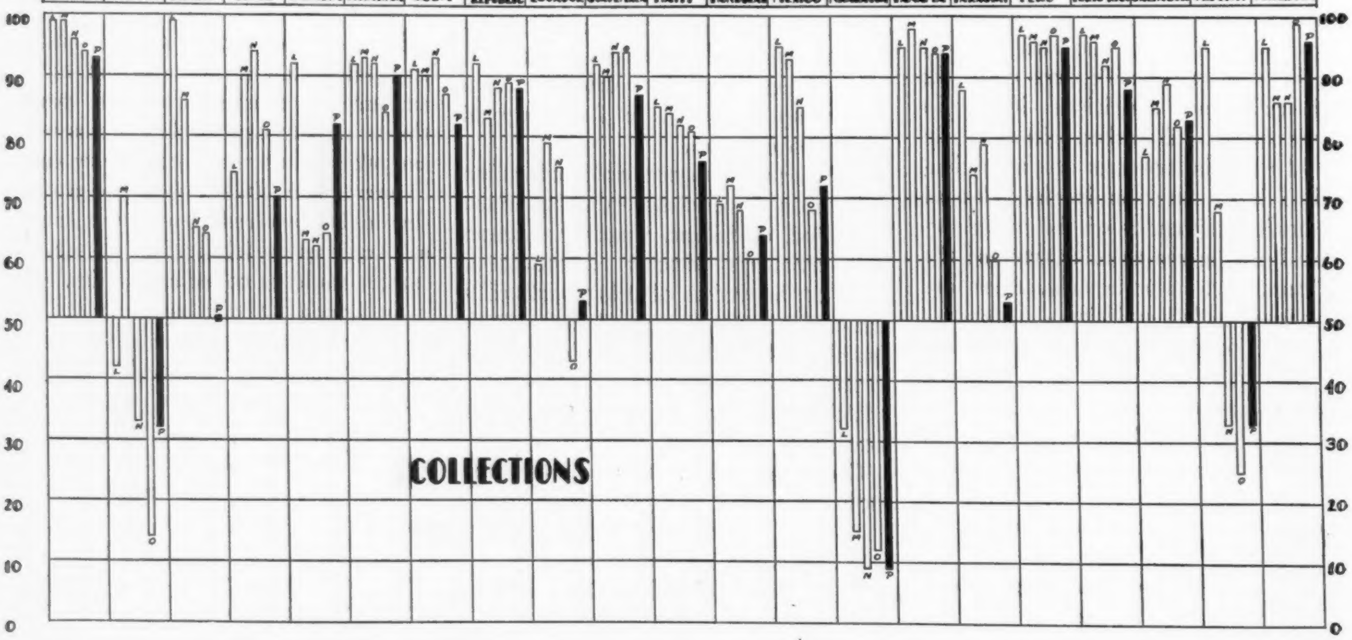
Inasmuch as the coinsurance and agreed amount forms are the most recently approved as well as the most popular, a proper preparation of U. & O. values thereunder is a most important task. The classification of accounts throughout industry has not been created for the sole purpose of preparing U. & O. value statements, and there may be insurable and non-insurable items included under a single account caption. A statement of use and occupancy value is a custom job.

Latin-American credit and collection charts



Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country in each survey (below).

Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country (above).



Key: L: 3rd Qtr., 1937; M: 4th Qtr.; N: 1st Qtr., 1938; O: 2nd Qtr.; P: 3rd Qtr.

Anxiety by experts!

"It is a question whether many business gatherings, where practically the whole discussion is centered upon our political woes, are as helpful to us in tackling our next day's work and problems as they would be if the time were devoted to studying what could be done under the conditions prevailing. Experts, too, it seems to me, causes us a great amount of needless anxiety."

—Carle C. Conway, Chairman,
Continental Can Company.

Accidents in the construction industry

Relatively little is known about the causes of accidents in the construction industry. A study covering 143 firms with more than 12,000 workers disclosed that for every million hours worked 165 workers were either killed, maimed, or temporarily disabled. Heavy construction had by far the most severe experience, with highway construction second and building construction ranking lowest. The study also indicated that, on the whole, small firms had the best records in the building and highway branches, and the medium-sized firms the worst. In heavy construction the experiences of groups of all sizes were equally bad. The reports submitted indicated clearly that most of the accidents could have been prevented if proper safety precautions had been taken.

No more tax-exempts?

Presenting the results of a study of the debt position of the 175,000 governmental units in the United States, the Committee on Debt Adjustment of the Twentieth Century Fund recommends that "further new and refunding issues of securities by the federal, state and local governments should not carry exemption from income taxes."

Tax exemption, the Committee claims, "makes it unhealthily easy for government bodies to go into debt" because they can get money at a lower rate of interest than otherwise. It also makes debt investments too attractive to wealthy people who can best afford to run the risks of direct ownership in stocks, real estate and other equities.

The Fund's study of the American government debt structure during the post-war period discloses three changes of great importance which have recently taken place: (1) while the federal government debt has been increasing rapidly since the depression began, the debts of state and local governments have actually declined since 1933; (2) the enormous increase in the debt owed by the federal government has been considerably offset by greatly increased holdings of cash and claims against assets of government agencies — which make the simple "national debt" figures misleading; and (3) banks, life insurance companies and other credit institutions have bought almost all the new issues of government bonds, which means that the savings of individuals, flowing through such institutions, have gone almost entirely into government bonds in recent years.

The Twentieth Century Fund survey of government debts is part of a three-year study of the entire debt structure of the nation, private as well as public, which has been aimed first to picture the debt adjustments that have taken place during the depression—how they occurred, their amounts and their effects; and, second, to propose ways in which the nation's debt structure can be strengthened and the depression difficulties of debtors and creditors eased.

In connection with its recommendation on tax exemption, the Committee, under the Chairmanship of J. Lionberger Davis, Chairman of the Board of the Security National Bank Savings and Trust Company of St. Louis, says:

The abolition of tax exemption on issues now outstanding is, of course, impossible. But President Roosevelt and certain leaders in Congress deserve support of their proposal to prohibit future issues of tax-exempt securities. Such a prohibition should be made immediately; and, if constitutional changes prove necessary, an amendment for the purpose should be adopted as soon as possible. It will of course be many years before all the tax-exempt issues now outstanding can be retired. But if new and refunding issues carry no tax exemption, the diversion of new savings from direct ownership to debt investment can be largely corrected within a few years.

With its recommendation the Committee made public a summary of the facts which had been gathered for it by a special research staff of the Fund about the debt position of governments in the United States.

The figures in the research report show that during the boom years of 1923-1929 the debts of state and local governments increased by more than $5,000,000,000 due to bond issues for school construction, highway building, etc. This increase was more than offset by a decrease of about $6,000,000,000 in the federal debt. During the later years of the depression, however, the process was reversed. The "net debt" of all state and local governments—deducting cash and sinking fund holding—reached a peak of almost $16,500,000,000 in 1933, but has since declined to less than $14,000,000,000.

In analyzing the increase of the federal debt during the depression the research report points out that the actual debt position of the government can only be shown by deducting the cash in the general fund of the Treasury, the cash and bonds held by the Postal Savings System and the amount of the government's proprietary interest in the various government credit agencies from the total amount of government securities outstanding.

These "offsets" amounting to $591,000,000 in 1929, increased to $7,253,000,000 by 1937. About half of this large increase consisted of the government's interest in the R. F. C., F. C. A. and H. O. L. C.—which rose from $102,000,000 in 1929 to $3,403,000,000 in 1937. Cash in the general fund of the Treasury also showed a sharp increase from $325,000,000 to more than $2,500,000,000.

Taking account of these offsets, the report states that "the net balance of debt" of the federal government amounted to $16,400,000,000 in 1929 and increased by 1937 to $30,529,000,000 or by 86.3 per cent during the period. This is considerably less than the increase in the so-called "national debt" (the gross debt of the government) which was 115 per cent.

In giving these figures, however, the report states that the contingent obligations of the U. S. Government have not been included—those which might arise from its guarantee of HOLC and FFMC bonds and from its ownership in various credit agencies. On this point the report says:

The total sums involved in the dealings of these credit agencies are enormous. Their total assets were $10,800,000,000 in June 1937 and $11,100,000,000 in March 1938 — not counting inter-agency claims—; and their liabilities not to other agencies were $6,500,000,000 and $6,600,000,000 the same dates. Of the assets held in 1937, some $839,000,000 were proof against shrinkage, being cash or government securities. A shrinkage of 10 per cent in the other assets of all these agencies would thus involve a loss on the order of $1,000,000,000. Crude estimates of the highest percentage of loss which is reasonably possible suggest that at the worst this loss figure might be doubled. Losses, even on this enormous scale, however, would not make any very great impression on the debt situation of a government with a net long-term debt of some $25,000,000,000.

In discussing the absorption by the banks and other credit institutions of the increased Federal debt, the report states:

Of the increase of $19,100,000,000 in the total amount, 1929-1936, credit institutions took $17,800,000,000, or 93 per cent. The fact that virtually all the increase of outstanding government debt has been taken up by credit institutions, coupled with the fact that there has been no substantial increase of other types of assets held by credit

institutions for years past, does much to clear up the nature of the economic recovery of 1933-1937. With rising incomes in 1933-1937, individuals undoubtedly saved a good many billion dollars. But almost none of this saving has been invested in the normal forms of new houses and new corporate stocks and bonds. It has gone in large measure into claims upon credit institutions. But the credit institutions have been able to invest most of the inflow of funds only in government securities.

This does not necessarily demonstrate that the increase of government debt was the only path to prosperity. It is safe to assume that with business improvement more is saved, and that if savings do not find some channel of use the recovery cannot continue. It is true also that if investors will accept nothing but government debt—or credit institutions obligations based on government debt—a refusal to run the government further into debt may dam up the flow of savings. But it is still possible that the expansion of government debt itself may be preventing investment from taking other forms and thus creating the emergency it is aimed to cure.

Treasury tax study

A voluminous report of the Treasury Department on holdings of wholly and partially tax-exempt investments brings fresh emphasis to bear upon this serious flaw in the nation's public revenue system, according to an editorial in "The Wall Street Journal," New York.

"The amount of capital so taking refuge from the tax collector is and has been increasing rapidly, while federal and local governments have been assuming constantly greater obligations to the public and incurring greater need of revenue. Higher tax rates largely if not completely defeat themselves by increasing the pressure on investors to seek the tax-exemption refuge.

"This report estimates the total of securities enjoying total or partial tax exemption in the hands of private investors (these including private corporations) on June 30, 1937 at 50½ billions, on which annual interest return is upwards of 1½ billions, or a trifle more than three per cent. The total was divided roughly into 35½ billions of obligations of the federal government and close to 15 billions of state and local issues.

"It is not so much the amount of these investments that is impressive as the rate at which they have in-

(*Continued on page* 36)

Insurance digest

O. L. and T. liability

A statement emphasizing the importance of public liability insurance to the business man is attributed to Professor Sweeney of the Wharton School of Commerce at Philadelphia, who said, "Office Management" reports, that "the importance of third party liability hazards cannot be over-emphasized because these hazards involve more than the mere capital invested in the enterprise. Mishaps can injure a number of members of the public and property belonging to these 'third parties.' If the courts consider these damages to be the results of negligence, the operator may be forced to pay many thousands of dollars more than he could realize by the sale of his entire equipment."

Damages which may be assessed a firm or an individual as the result of an accident bear no relation to the capital invested in the property concerned, and this idea of limitless damages provides the keystone to the whole liability insurance business. In case of fire, windstorm, explosion or other hazards, the greatest possible loss can be a total investment loss. An accident involving the property-owner's liability to the public, however, may cause losses greatly exceeding the owner's investment, and has on occasions been the cause of bankruptcy. This truth is demonstrated by automobile liability, for a $1,000 car can cause a $20,000 accident and frequently does; similarly slippery steps on a $10,000 house can cause a broken back for the milkman and a $50,000 court judgment, or ice falling from the roof can injure the minister to the tune of $25,000 in hospital bills and general indemnity.

Liability insurance which comes under the general heading, "Owners', Landlords' and Tenants' Liability" is designed to cover almost every liability risk normally required by individuals or business establishments. The policy in every case applies to a specific property, and covers injury to members of the public, or damage to the property of members of the public, for which the owner (landlord or tenant) is responsible as a result of the normal operations of the business or household.

Specifically, the liability policy insures the policyholder against "the liability imposed on him by law on account of bodily injury or death accidentally suffered, or alleged to have been suffered, by a person not in the employ of the assured." The property damage policy, usually part and parcel of the same contract, covers the assured's liability for damage or destruction to the property of others, not in his employ.

Losses under the policy may be caused by: (a) ownership or maintenance of the property insured, including the effecting of minor repairs, or as a result of the regular business operations of the assured as described in the policy including actions of the assured's employees off the insured property when they are doing their proper duties; (b) participation by the assured in the sports or recreations described in the policy, in the case of sports' liability policies; or (c) any other hazards which may be specifically mentioned in the policy.

As a general rule, OL&T Liability does not cover a number of hazards which may exist in connection with the insured property, which may be covered by other policies. These exclusions include: (a) any liability assumed by the assured under a contract with some third person; (b) ownership or operation of any vehicle, whether mechanical or horse-drawn, including locomotives, automobiles, aircraft, ships, elevators or escalators; (c) any liability connected with professional services, or the lack of them; (d) handling of merchandise of the assured by persons not employed by the assured anywhere off the premises; (e) manufacturing operations; (f) construction or demolition of the property of any major alterations (this does not include minor repairs); and (g) demonstration, installation, repair or removal operations connected with the assured's business anywhere else than on the premises.

Property Damage sections of OL&T policies include these exceptions to the coverage, and have several others in addition. Fire damage to other people's property, for example, is usually excluded unless specifically provided for in the policy, with payments of an added premium. Among the other exclusions are: (a) collapse or structural injury to buildings due to the removal of other buildings below the surface of the ground; (b) damage to underground pipes; (c) explosion of any pressure vessel; (d) breaking of any engine, fly-wheel or machine; (e) damage to an electrical power unit; and (f) water damage of any kind.

Policies are written on a standard basis of $5,000 limit in case of injury to one person, $10,000 for injury to two or more persons and $1,000 property damage. These limits can, of course, be raised when additional coverage is desired. Depending upon the class of risk, premiums may be paid either as a unit or on the deposit basis. Risks rated on the area of the building and the frontage pay a definite premium while others, such as theatres or exhibitions which pay on the basis of receipts, are assessed a deposit with adjustments at the end of the period used. In the case of annual adjustments, the full estimated premium is paid at the beginning of the policy term.

Social security and almshouses

A very marked reduction in almshouse population in Tennessee, after the introduction of the social-security program, was found to have taken place. This was ascertained in a study made by the University of Tennessee. Inquiry of other states disclosed that substantial reductions had also occurred in 16 states, while 16 states reported very little effect and seven states reported an increase in number of inmates.

What cost rearmament?

The phenomenal increase of world armament expenditure from approximately four billion dollars in 1933 to more than 17 billion in 1938 had introduced a new and disturbing factor into world economy even before the Czechoslovakian crisis raised the specter of immediate war, William T. Stone declares in a recent issue of "Foreign Policy Reports" issued by the Foreign Policy Association, New York.

"Quite apart from the political tension created by swollen armaments, the rapid acceleration of arms expenditure has already distorted the national economy of virtually every industrial nation. Internally, it has diverted capital and savings into non-productive state enterprises and forced the abnormal expansion of heavy industry to a point well beyond the requirements of peace time.

"In the short run, this huge diversion of capital and savings has raised prices, stimulated industrial activity and provided employment in the construction and metallurgical industries. In the long run, if the present trend is not reversed, it threatens to lead to ruinous inflation or national bankruptcy.

"The consequences are already apparent in both the democracies and the dictatorships. No government today is able to pay for rearmament entirely out of savings. The Soviet Union, which has made the attempt, has been forced to sacrifice the demand for much-needed consumers' goods and to appropriate nearly 40 per cent of its national income to the requirements of defense.

"While the totalitarian states have been able to impose a higher level of forced savings on their peoples than the democracies, they have not escaped the dangers of heavy deficit financing. In paying for rearmament, the dictatorships and democracies alike are confronted with unbalanced budgets, mounting deficits and the prospect of continued deficit financing.

"How long can the present trend continue, even if general war is postponed or avoided? Few economists have been willing to hazard a guess, partly because the problem of armaments is essentially a political problem, partly because the economic principles which were assumed to govern the 'normal' pre-war capitalist economy no longer operate in totalitarian states.

"Nations can 'afford' gigantic armament programs just so long as they are able to impose a high level of savings on their peoples, or maintain the confidence of their peoples, and export enough to pay for their essential imports. But the history of the past few years clearly demonstrates that this leads almost inevitably to dictatorship or government intervention.

"In order to accomplish its purpose, the state is forced to appropriate a larger share of the national income, accelerate its own investment activity, intervene in the operations of the national economy, and suppress civil liberties. For the democracies, the ultimate cost of unlimited armament competition may be the loss of their free economies and the undermining of democracy itself.

"The economic consequences of a general war are far more alarming. Should war last more than a few months, the economic system of every nation involved is almost certain to be shattered, and the impact will be felt even by those countries which are not directly involved at the outset."

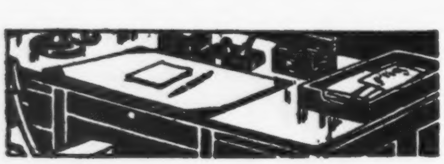
Add: one billion

To N. S. Finney, Assistant Managing Editor of the Minneapolis Star, go our thanks for pointing out an inaccuracy in the figures concerning "Our World War Balance Sheet," which appeared on page 23 in the October issue with the article by Thos. J. Watson on the cost of war.

Pre-armistice loans to other nations in that table should have been listed as $6,319,852,000 instead of the figure, exactly one billion dollars less, which we printed.

Thanks for your eagle eye, Reader Finney!

On offices



Office unions

For years the office was a quiet pool undisturbed by union activity, Dr. R. P. Brecht recently told the National Office Management Association. There were a few local unions, such as the Bookkeepers, Stenographers and Accountants Union, and some white-collar unions among government employees and railroad clerks, but the majority of office employees paid little attention to the ebb and flow of unionism, he declared.

However, following the wave of social reform which began under the First New Deal, tremendous gains for labor unions ensued. It was inevitable that interest in organizing large groups of clerical workers would crystallize. By 1937 both the A. F. of L. and the CIO had national unions in the field. Efforts to organize clerical employees of brokerage houses, banks and insurance companies by the Financial Employees Organizing Committee have been reported in such cities as Newark, Detroit, Philadelphia, Cleveland, Boston, Los Angeles and San Francisco.

Among considerations which may impel the clerical worker to "join up" are: an increasing awareness of the advantages and power of collective action; a steadily narrowing gap in the treatment accorded factory and office workers, particularly in companies where rate cuts have been given to salaried employees but not to hourly workers; a growing conviction, abetted by a poorly defined personnel policy, that the office employee is no more a part of the management of the company than any other employee; a new feeling of self-importance, engendered in the clerical worker through the attention given him by union organizers.

However, unionism is not an immediate problem for most offices, and time may be on the side of the office executive who wants maximum freedom in managing his organization, if he takes advantage of it. He must set a high example of constructive leadership. Personnel techniques should be checked and improved, not for the purpose of avoiding unionism but rather to make it unnecessary. Where employees are receiving fair treatment and fair wages, the union organizer has little or nothing to offer. Sound personnel practices based on confidence, understanding and tested acceptance will go far toward sustaining satisfactory employee relations.

When a labor union does succeed in organizing an office, however, there need not be continuous trouble and friction if management's attitude is cooperative. The following techniques will aid considerably in achieving satisfactory relations: unrestricted acceptance by management of unionism, and recognition of the union; avoidance of open strife and violence; insistence that grievance-handling machinery be set up and ready for use; training the office supervisory staff in how to deal with the union; and support of union leadership at every turn.

"Comptodesk"

Comptodesk, a desk for housing calculating machines, has been announced by Comptodesk, 1514 Tribune Tower, Chicago, Ill., according to "The Office." The desk's revolving container accommodates all sizes of calculating machines. By pulling out the spring plunger in the front apron and a slight pressure, the machine is placed in either operative or inoperative position. Efficiency of the operator is promoted since the machine is at a scientifically correct angle and height. The standard desk is 50" wide x 32" deep and 30½" high. It has a utility drawer and a storage drawer. The desk is equipped for electrical use with a five gang connection. The non-glare top is made of stainless linoleum with a bronze binding. The desk itself is finished in olive green, baked-on enamel with a crinkle finish.

Treasury tax study

(*Continued from page* 33)

creased in recent years. Thus the total was but 33 billions in 1930. The increase since that year has been almost wholly in obligations of the United States Treasury and of government agencies.

"The fact that the local governments as a group have been able to come through the depression years with little or no net increase in debt implies the scale on which the federal government has assumed responsibility for 'recovery and relief.' But the serious thing about the whole picture is the heavier and heavier superstructure of government functions and outlay we are erecting upon a foundation of inherent weakness.

"The federal government, to be sure, has long since made a beginning upon an ending of tax exemption, so far as federal taxation of its own issues is concerned. Of the 35½ billions of these, no less than 22½ billions are subject to surtax rates on personal incomes. But this is no more than a begin-

ning upon making a tax system in theory based upon ability to pay consistent with itself.

"Equitable distribution of the tax burden and sound public finance alike call for a cessation of tax exempt securities from whatever source. This closure of the refuge can, of course, be accomplished without a violation of the terms on which existing debt contracts have been made."

Forgery losses

Forgeries, including worthless and bogus check operations, cause an annual loss of between $400,000,000 and $500,-000,000, we learn from "The Insurance Post."

Surety companies sell bonds to banks which protect them against forgeries, and they also sell bonds to depositors which provide them with similar protection.

We are sometimes asked, "Why this apparent duplication of coverage?", the article continues. The answer is simple: Banks buy bonds to protect them against forgeries when they are held liable for the forgeries, and depositors buy forgery bonds to protect themselves in case they are held liable for losses.

Volumes have been written on the law pertaining to forgeries and who is liable for them. Banks usually take the position that when canceled checks and vouchers including the forged or altered checks have been returned to the depositor, he has been put on notice of the forgeries, and by not notifying the bank, he contributes to the loss and is therefore negligent in permitting the forgeries to continue.

The depositor's forgery bond closes the loopholes left by the law and covers any liability of the depository.

Court decisions

CONSTITUTIONALITY OF STATE UNEMPLOYMENT COMPENSATION ACT. Carmichael v. Southern Coal & Coke Co., U. S. Supreme Court, May 24, 1937, Stone, J.:

The Unemployment Compensation Act of Alabama sets up a comprehensive scheme for providing unemployment benefits for workers employed within the state by employers of eight or more persons for twenty or more weeks in the year. It excepts those engaged in certain specified employments. It imposes upon the employer the obligation to pay a certain percent of his total monthly payrolls into the State Unemployment Compensation Fund. After May 1, 1936, each employee is required to contribute 1% of his wages to the fund. The fund is to be deposited in the "Unemployment Trust Fund" of the U. S. Government provided for under the Federal Social Security Act and is to be used as requisitioned by the State Commission to pay unemployment benefits prescribed by the statute. The Act has been approved by the Social Security Board and contributors to the State Fund are entitled to credit their contributions to the extent of 90% of the Federal Social Security tax. As the present levy has all the indicia of a tax, it is within the state taxing power and it is immaterial whether it is called an excise or by another name.

The tax does not violate the 14th Amendment. The exclusion of employers of less than eight persons, is not arbitrary. The Legislature had the right to conclude that generally the number of employees bears a relationship to the size of the payroll and therefore to the amount of the tax, and the large number of small employers and the paucity of their records of employment would entail greater inconvenience in the collection of the tax than in the case of larger employers. Nor can employers attacking the validity of the statute question the constitutionality of the tax as to employees. The taxes are separable. The collection and expenditure of the tax on employers do not depend upon the taxing of employees.

The tax on employees is not unconstitutional on the ground that the purpose of the tax is not a public purpose. Relief of unemployment is a public purpose. Nor does it violate the 14th Amendment on the ground that it exacts contributions from an employer who may not have contributed to unemployment and who may not be benefited by the expenditure. Even if the Legislature should undertake to place the burden of a tax for unemployment benefits upon those who contribute to it, might conclude that the burden cannot be justly apportioned among employers according to their unemployment experience. The Alabama Legislature may have proceeded upon the view that the causes of unemployment are too complex to admit of a meticulous appraisal of employer responsibility; that employees will be best protected, and that the cost of the remedy, at least until more complete data are available, may best be distributed by enforcing the tax evenly upon all industrial production.

The statute is not unconstitutional on the theory that its enactment was coerced by the Federal government through the Social Security Act. This court has held in sustaining the Federal Social Security Act that it does not have such coercive effect and therefore the State Act cannot be set aside as an unconstitutional product of coercion.

VALIDITY OF SOCIAL SECURITY ACT TAXES AS TO OLD AGE BENEFITS. Helvering v. Davis, U. S. Supreme Court, May 24, 1937, Cardozo, J.:

This case involved Titles VIII and II of the Social Security Act. Title VIII provides a special income tax upon employees to be deducted from their wages and paid by their employers, and Title II provides for the payment of old age benefits and supplies the motive and occasion for the levy of the taxes imposed by Title VIII. The income tax on employees is measured by the wages paid during the year and is to be collected by the employer who is to deduct the amount from the wages as and when paid. The proceeds are to be paid into the Treasury like Internal Revenue taxes generally. The Federal Old Age Benefits under Title II are two types—monthly pensions and lump sum payments. An old age reserve account is created in the U. S. Treasury. No present appropriation is made to that account. All the statute does is to authorize appropriations annually thereafter, beginning with the fiscal year ending June 30, 1937. How large they shall be is not known in advance. The amount sufficient as an annual premium to provide for the required payments is to be determined on a reserve basis in accordance with accepted actuarial principles. The Supreme Court upheld the validity of the tax.

Congress may spend money in aid of the general welfare. The conception of the spending power advocated by Hamilton and strongly reinforced by Story has prevailed over that of Madison, which has not been lacking in adherents. Yet difficulties are left when the power is conceded. The line must still be drawn between one welfare and another, between particular and general. There is a middle ground of certainly a penumbra in which discretion is at large. The discretion, however, is not confided to the courts. The discretion belongs to Congress, unless the choice is clearly wrong, a display of arbitrary power, not an exercise of judgment.

The purge of nation-wide calamity that began in 1929 has taught us many lessons. Spreading from state to state, unemployment is an ill not particular but general, which may be checked if Congress so determines by the resources of the Nation. A great mass of evidence was brought together before the Act was passed, supporting the policy of old age pensions which finds expression in the act. Most of the separate states cannot deal with it effectively. States and local governments are often lacking in the resources that are necessary to finance an adequate program of security for the aged. They are at times reluctant to increase so heavily the burden of taxation, for fear of placing themselves in a position of economic disadvantage as compared with neighbors or competitors. Only a power that is national can serve the interests of all.

Whether wisdom or unwisdom resides in the scheme of benefits set forth in Title II, it is not for us to say. The answer to such inquiries must come from Congress, not the courts. Our concern here, as often, is with power, not with wisdom.

STATE OCCUPATION OR LICENSE TAX ON CHAIN STORES. Great Atlantic & Pacific Tea Co. v. Grosjean, U. S. Supreme Court, May 17, 1937, Roberts J.:

Act 51 of 1934 of the State of Louisiana imposed a tax on persons engaged in the business of operating two or more stores, one or more of which is located in Louisiana, which tax is based upon the number of stores wherever operated and which is progressively increased from $10.00 per store for a chain having a total of not more than ten stores to $550.00 per store for chain of more than 500 stores. The Great Atlantic & Pacific Tea Company owning and operating 15,082 stores in all, 106 of which are in Louisiana, sought to restrain the enforcement of this statute. The act was upheld in the lower courts and also by the Supreme Court.

The Supreme Court said that the exaction is an occupation or license tax and that the state may separately classify for taxation the conduct of a chain store and may not only increase the rate in proportion to the increase in the number of stores within the state, but may also take into account the size of the chain to which the store belongs by counting the total number of its units wherever located. The classification is not based upon the location of the stores within or without the state but upon the type of business conducted, the

scale of that business and its accompanying competitive advantages and if the competitive advantages of a chain increase with the number of its component links, it is hard to see how these advantages cease at the state boundary. The measure of the exaction is the number of units of the chain within the state, a measure sanctioned by our decisions. The rate of tax for each such unit is fixed by reference to the size of the entire chain. In legal contemplation the state does not lay a tax on property lying beyond her boundaries nor does she tax any privilege exercised and enjoyed by the taxpayer in other states. The law rates the privilege enjoyed in Louisiana according to the nature and extent of that privilege in the light of the advantages the capacity and competitive ability of the chain's stores in Louisiana considered not by themselves as if they constituted the whole organization but in their setting as integral parts of a much larger organization.

If in the interests of the people of the state the Legislature deemed it necessary either to mitigate evils of competition as between single stores and chains or to neutralize disadvantages of small chains in their competition with larger ones, or to discourage merchandising within the state by chains grown so large as to become a menace to the general welfare, it was at liberty to regulate the matter directly or to resort to the type of taxation evidenced by the Act of 1934 as a means of regulation. By incorporating in some other state or by operating their business and activities in other states the chains cannot set at nought the public policy of Louisiana.

Business mortality

Thirty per cent of the business enterprises started in Poughkeepsie, N. Y., between 1844 and 1934 failed to survive the first year, Ruth Hutchinson, Arthur R. Hutchinson and Mabel Newcomer pointed out recently in "The American Economic Review." Less than half lasted more than three years.

The average life of retail establishments was shorter than that of wholesale and manufacturing concerns and longer than that of craft and service enterprises. The length of life of all these enterprises was appreciably greater in the middle of this period, when the population of the city was almost stationary, than it was in either the early or the late years of the period, when population was increasing rapidly.

Among the retail concerns, grocery stores have a slightly greater length of life than the average. The length of life of grocery stores has apparently not been reduced by chain-store competition. In general, large concerns last longer than small concerns, but "parlor groceries" last longer than where the store and proprietor's home are separated.

Tri-State Conference in Omaha, Feb. 15-16

Omaha. — Omaha Association activities are in full swing. Councillors of the Tri-State Conference comprising the following Associations: Cedar Rapids, Davenport, Des Moines, Sioux City, Waterloo, Burlington, Sioux Falls, Lincoln, Omaha, met on Sept. 29, 1938, with E. B. Moran, Manager of the Central Division and selected Feb. 15 and 16, 1939, as dates for the Tri-State Conference to be held in Omaha.

Ed. Moran also addressed the Association meeting on that evening. His subject was "The Credit Executive — 10 Years Hence." There was also held a special meeting of the Membership teams comprising 36 members who were given a pep talk by Mr. Ben Stauffacher, Chairman of the Membership Committee, and Mr. E. B. Moran.

Two educational classes, one in Economics and the other in Fundamentals of Accounting, are being conducted under the auspices of the Institute of Credit and in collaboration with the Municipal University of Omaha.

The Omaha A. C. M. Bowling League was successfully launched in Sept. comprising the following teams: Credit Interchange & Collections, Fairbanks, Morse & Co., Procter & Gamble Dist. Co., Jerpe Commission Co., McKesson & Robbins, Nebraska Consolidated Mills, U. S. Fidelity & Guaranty, Trimble Bros., Booth Fisheries, A. Y. McDonald Mfg. Co.

Birmingham meets

Birmingham.—C. F. Baldwin, Washington representative of the N. A. C. M., addressed the Oct. 21 meeting on "Legislation and the Credit Executive." Referee Stephen B. Coleman, of Birmingham, also took part in the meeting.

40 for 17

Cleveland.—Seventeen of the founders of the Cleveland A. C. M. have carried their membership for 40 consecutive years.

Five guilty in New York fraud

During the month of May, 1937, the Fraud Prevention Department, N. A. C. M., began an investigation of the affairs of the firm of Kerr & Steinberg, New York, which had shortly before been petitioned into bankruptcy.

On July 15th of the same year a memorandum covering the results of the investigation was submitted to the office of the United States Attorney for the Southern District of New York where it was assigned to Assistant Federal Prosecutor John J. Dowling, who presented the facts to the Grand Jury during the month of May of 1938.

This body returned an indictment against Isidor Kerr, Hyman Steinberg, Max Schwartz, Bernard M. LeVine and Joseph Fridovich, all of whom were subsequently taken into custody by Agents of the Federal Bureau of Investigation.

The indictment returned in this case charged conspiracy to conceal assets of an estimated value of $15,000 from the New York Credit Men's Association, Trustee in Bankruptcy.

On October 10, 1938, the defendants entered pleas of guilty to the indictment hereinbefore mentioned with the exception of Joseph Fridovich who elected to stand trial. On October 17, after a week of testimony, Joseph Fridovich was found guilty.

In this particular case the investigators of the Fraud Prevention Department, located both in New York and Chicago, cooperated to the fullest extent with the Federal authorities.

NACM day at N.Y. and S.F Fairs after 1939 Congress to honor nation's "C" men

Following announcement last month that the 1939 Credit Congress would be held in Grand Rapids during the week of June 12th, Executive Manager Heimann released the information recently that, in honor of the nation's wholesaling, manufacturing and banking credit executives, the authorities of both the New York World's Fair and the San Francisco Golden Gate Exposition have appointed an official "National Association of Credit Men's Day" at each celebration.

The New York World's Fair has named Monday, June 19th, and in San Francisco the occasion will be on August 24th.

In announcing this Mr. Heimann pointed out that Owen Dibbern, N. A. C. M. Western Division Manager, and Hugh Roberts, of the New York National staff, had been given the assignments to inform members about the Fair and aid in making arrangements for their convenience. The information they will be in position to give will be such matters as hotel rates, best means of visiting, analysis of different exhibits, and general information of various kinds.

N. A. C. M. members who contemplate going to either Fair next year are asked to direct correspondence to the proper individual: Mr. Dibbern for San Francisco, Mr. Roberts for New York.

The New York date will be on the Monday following the Convention week and it is expected that a large group will proceed from Grand Rapids over the week-end to New York for the "N. A. C. M. Day."

Paint, varnish lacquer parley

The annual convention of the National Paint, Varnish and Lacquer Association at Atlantic City featured, on October 25, a conference of credit managers. H. E. Rhell of Philadelphia acted as Chairman and, following greetings by Ernest T. Trigg, President of the N. P. V. L. A., the program was opened by a discussion of "General Credit Services" by F. J. Hamerin of Indianapolis. Theodore H. Kleine of Brooklyn spoke on "Unearned Discounts," and G. H. Rothweiler of Newark spoke on the subject "Credit Man's Duty to His House, Customer and Industry." The final talk was made by Chairman Rhell on "The New Credit Psychology —the Depression Stepchild."

This was the first time a credit manager's conference was held in connection with the Association's convention, which this year celebrated the golden jubilee of the N. P. V. L. A.

The following constitute the Credits and Collections Committee of the National Paint, Varnish and Lacquer Association: H. E. Rhell, Philadelphia, Pa., Acting Chairman; D. H. Driver, Brooklyn, N. Y.; F. J. Hamerin, Indianapolis, Ind.; T. H. Kleine, Brooklyn, N. Y.; B. G. McFadden, Buffalo, N. Y.; G. H. Rothweiler, Newark, N. J.; C. H. Sondhaus, San Francisco, Calif.

Bankruptcy discussed at Lexington meeting

Lexington.—Attorney Grover Thompson discussed the new Chandler Bankruptcy Act at the meeting of the Lexington Association on Oct. 20.

Credit analyzed at many conferences

. . . in Ohio

Columbus.—The first Institute on Credit, sponsored by Ohio State University, with the co-operation of local N.A.C.M. Associations in the middle West and Retail Credit Bureaus of Ohio, was held here Oct. 7 & 8. The Friday session heard Willard L. Thorp, a member of the National Anti-Monopoly Investigation Committee, discuss economic trends affecting credit. In the afternoon, Referee Paul H. King of Detroit, spoke on the Chandler Bankruptcy Act; A. G. Rude, Vice President, C.I.T. Corp. presented a paper on "Installment Credit", followed by a talk on collection letters by Prof. Felix E. Held of Ohio State.

The evening session heard remarks by L. S. Crowder, General Manager of the National Retail Credit Association and a feature address on "The Credit Profession—Its Place, Responsibilities and Opportunities," by Executive Manager Henry H. Heimann, N.A.C.M.

Hugh Wells, Secretary of the Cleveland A.C.M. and Roy Foulke of Dun & Bradstreet, were featured at the Saturday morning session on commercial credit. In the afternoon the delegates enjoyed the football game between Ohio State and Southern California.

. . . in Michigan

Detroit.—The Michigan State Conference of Credit Executives was held here on Oct. 28 under the auspices of the Detroit A.C.M. at the Book-Cadillac Hotel. Addresses included those by Draper Allen, Managing Director of the Michigan State Board of Tax Administration, on the "Michigan Sales Tax Law"; S. L. A. Marshall of the Detroit News on Mexico; H. Wyngarden of Michigan State College on "Federal Reserve Credit Control"; Referee Paul H. King on the Chandler Bankruptcy Act; H. E. Kay, Credit Manager, Industrial Brownhoist Corp., Bay City, on "Sound Credit and Legislation"; and David A. Weir, Assistant Executive Manager of the N.A.C.M. on "Ruts, Roads and Rainbows" at the banquet session which closed the conference.

Wilson F. Moor, President of the Detroit A.C.M., Thomas H. Peck, Credit Manager of the Kalamazoo Vegetable Parchment Co. and V. F. Hutchins, National Director of the N.A.C.M., and Operations Manager, General Electric Supply Co., were in charge of the various sessions. Visiting ladies attended the luncheon meeting at which Mr. Marshall spoke and in the afternoon took a trip to Henry Ford Greenfield Village.

. . . in Texas

San Antonio.—The most successful Southwestern Conference of Credit Men was held here at the Plaza Hotel on Oct. 14-15. About 300 delegates from Texas, Oklahoma and Louisiana attended the sessions. Featured speakers included Executive Manager Henry H. Heimann at the dinner meeting on Friday and C. F. Baldwin, Washington representative of the N.A.C.M. on Saturday morning.

Morris D. Meyer, Secretary of the Houston A.C.M. explained the new Chandler Bankruptcy Act to the conference and other speakers were L. M. Alexander of Waco, Reagan Houston and Arthur E. Biard of San Antonio. Theo F. Weiss, John K. Weber, Hollis H. Bridgman, John W. Barron, all of San Antonio, H. T. Biar of Dallas, John A. B. Smith of Shreveport, Paul A. Kerin of Dallas and Roy A. Colliton of St. Louis.

The conference closed with a trip to Bandera where the delegates enjoyed a rodeo and picnic on Saturday afternoon. Under the leadership of James Caldwell, President of the San Antonio Wholesale C.M.A., the conference was voted a huge success. The 1939 gathering will be held at Waco.

. . . in Phila.

Philadelphia.—Credit expansion was the general topic of the two-day sessions of the Tri-State Conference of New York, New Jersey and Western Pennsylvania of credit executives here on Oct. 21-22. The speaking program included W. A. Irwin, Assistant Educational Director, American Institute of Banking on "Economic Aspects"; Wm. Price, Assistant Vice President of the National City Bank, N. Y. on "Bank Credit"; Roy A. Foulke of Dun & Bradstreet on "Trade Credit." Johnfritz Achelis, President of Commercial Factors Corporation of N. Y. on "Factoring" and Dr. F. Cyril James of the University of Pennsylvania on "America's Credit."

Greetings to the conference were extended by Executive Manager Henry H. Heimann at the dinner on Friday night, at which Joseph Wayne, Jr., President of the Philadelphia National Bank, was Toastmaster.

On Saturday, installment financing was discussed by Dudley Cates, Vice President of Commercial Investment Trust, Inc., N. Y., followed by a talk on credit cooperation by James F. Hughes of Boise, Hughes & Farrell, New York.

Headed by Ralph D. Withington, President of the Philadelphia National Bank, the Credit Men's Association of Western Pennsylvania presented a well-varied program, including entertainment of lady delegates, followed by an outing to Valley Forge on Saturday afternoon. After the Friday night dinner party there was dancing and a song program by the Adelphi Male Quartet.

N. E. conference at Hartford

Hartford.—The New England Credit Conference will be held at the Hotel Bond on Nov. 17. It will be an all-day session with an excellent program of speakers. A Stag Party will be held on Nov. 16 at 8 P.M. in the Egyptian Room of the Hotel Bond. Reservations can be made with Halstead Hull, Conference Treasurer, of the Taylor & Fenn Mfg. Co., Hartford, Conn.

Cleveland starts fifth decade

Cleveland. — Celebrating its 40th year, this Association is planning many events in honor of the beginning of its 5th decade of existence. Among these is the adoption of a new "dress" for the Association's four-page "Credit News."

Continuing the successful series of credit clinics last year, Chairman E. A. Pulford, National Malleable and Steel Castings Co. and his committee are working on the program for the coming year which will open on November 21.

E. R. Siler

Petroleum Refiners Division meeting

In connection with the convention of the Petroleum Refiners' Division of the N. A. C. M. in Indianapolis on October 24-25-26, the Indianapolis Association of Credit Men held a joint dinner meeting and party in the Columbia Club Ballroom, Tuesday night, October 25. Also participating were the Indianapolis Chapter, National Association of Cost Accountants, and the Indianapolis Chamber of Commerce. The feature of this evening session was the address "Will The Recovery Last?" by Henry H. Heimann.

In charge of arrangements for the joint meeting were E. R. Siler, Credit Manager, Socony-Vacuum Oil Co., St. Louis, and Merritt Fields, Executive Manager, Indianapolis, A. C. M.

The Board of Governors of the Division for 1937-38 follows: E. R. Siler, Chairman, Socony-Vacuum Oil Co., Inc., St. Louis, Mo.; B. W. Atwood, Vice-Chairman, Shell-Union Oil Corp., New York, N. Y.; Webb R. Charles, Vice - Chairman, Globe Oil & Refining Co., Wichita, Kans.; A. A. Hock, Vice-Chairman, Tide Water Associated Oil Co., San Francisco, Calif.; H. L. Blankenship, Barnsdall Refining Corp., Tulsa, Okla.; H. E. Butcher, Cities Service Oil Co., Chicago, Ill.; R. P. Dean, Standard Oil Co. of Pa., Philadelphia, Pa.; H. H. Hartline, Standard Oil Co. of Calif., San Francisco, Calif.; J. M. Judson, Sinclair Refining Co., Chicago, Ill.; R. R. McCoy, Gulf Oil Corporation, Pittsburgh, Pa.; R. C. Ward, Sun Oil Company, Toledo, Ohio; R. A. Colliton, N. A. C. M.

25th wedding day for Mr. and Mrs. Moses

Kansas City.—Mr. & Mrs. J. Haskell Moses celebrated their silver wedding anniversary on Oct. 8. Mr. Moses, Second Vice President of the Association, is Credit Manager of Rothenberg & Schloss Cigar Co.

St. Paul has new quartette

St. Paul. — A "barbershop" group recently made its introductory appearance in costumes of 1835 to 1896 and virtually "rendered" and struggled through a program of four numbers much to the entertainment of members and guests. Local associations in the Northwest may have the services of this singing group by communicating with Secretary Reynolds and arranging for traveling expenses. They join the group of similar quartettes under the name of the "HOT TOWEL QUARTETTE". Each of the singers is a member of the local Zebra Herd.

Chicago active in education

Chicago. — Meeting with unusually favorable response, the educational program of the Chicago A. C. M. seems destined to become one of the principal features of this winters' program. Organization of the Chicago Chapter of the National Institute of Credit got under way on November 3, and roundtable classes are already meeting each week.

Chairman this year is I. N. Haskell (Alfred Decker and Cohn) with sub-committees in charge of C. L. Holman (Wilson Brothers), J. J. Killacky (John Sexton and Co.), W. J. Claussen (Hibbard, Spencer Bartlett and Co.), Willard Becker (Norton Door Closer Co.), Bernice Rotter (Hanson Scale Co.) and Lee Hadley (Goodman Manufacturing Co.).

The Instructor in Public Speaking is J. Warren Slote, and Problems of Credit Management is in charge of B. T. Masslich (Miller and Hart, Inc.). Additional classes have been started to meet with the unprecedented demand for educational facilities. It is anticipated that classes in Business Law and Marketing will be offered the next semester.

N. Y. paint group hears Ref. Kurtz

New York.—Honorable Irwin Kurtz, one of the Referees in Bankruptcy for the Southern District of New York, was the honored guest and speaker at the first Fall meeting of the New York Paint & Allied Industries Credit Association.

A record attendance enjoyed an exceptionally fine address from Referee Kurtz on the functions of referees, the provisions of the new Chandler Bankruptcy Law and the relative differences between the old and the new law.

Referee Kurtz emphasized the recognition now provided for creditor committees under the new law in assisting and cooperating with referees in a prompt and efficient liquidation of bankruptcy cases.

At the conclusion of Judge Kurtz's address, he solicited and answered many interesting questions on both the new and old bankruptcy laws and further assured the members that referees in bankruptcy would welcome the enthusiastic cooperation and assistance of active creditor committees.

ZEBRAFFAIRS

Campbell asks member activity

Chicago.—Grand Exalted Superzeb, D. C. Campbell of Chicago has recommended to each local Herd that they give full support to National President Boschart in his program of adding 1500 new members this year.

Following the San Francisco Credit Congress the Supreme Herders declared that the most important classifications in the Royal Order of Zebras are: 1. Membership: Which means the procuring of a membership in the local association; 2. Attendance at monthly membership meetings and credit groups; 3. Procurement of interchange contracts; 4. Procurement of collection accounts; 5. Group organization or group membership work; 6. Exceptional and meritorious committee service.

It was also decided that local Herds should cooperate with the local Secretaries in keeping a schedule of attendance at all meetings of the Associations, as well as the meetings of the Zebras, and that all local Herds should enforce the "Zebra cap" requirement.

. . . and in S. F.

San Francisco. — Here's how the Zebras do it in this city: All of the Zebras meet at luncheon every other Monday and if they fail to wear their caps they are fined. Then another fine of 10 cents is levied, and a drawing occurs, with the winner receiving $1.00 and the balance of the collection going into the general fund of the Zebra Herd. At each meeting one member of the Herd is designated to tell the others about all of the ramifications of his own business. To this extent it is very educational—gets the man better acquainted with other members of the Herd. It has proven very satisfactory. Intermittently they call in an outside speaker. The attendance is very good and an opportunity is also given for discussion of local Zebra affairs.

. . . and Milwaukee

Milwaukee.—Local Zebras resumed their bowling activities on Oct. 15 and will continue every third Saturday thereafter. Best average for the first afternoon's kegling was made by Gene Waldeck, Radio Specialty Co., with 163 in four games.

Pittsburgh stampedes

The Pittsburgh herd let loose for the new zebra year by having a testimonial dinner for their past superzeb, Floyd Ferguson, now the Eastern Grand Divizeb, holding their annual round-up and election of new officers, and initiation of new members. The following were elected to handle the lines for the Herd: Fred T. Menges, Superzeb; Byron Stump, M. N. A. of A.; Joseph Solinsky, R. J.; Edward Schramko, T. H. P. B.; Murray V. Johnston, K. of Z.; F. J. Hohman, Zebratary.

At the meeting which followed the dinner, several of the members including "Chief" Oliver spoke at length regarding the membership work cut out for the Herd. The Grand Divizeb installed the newly elected officers and impressively told each the responsibilities he assumed.

How meek and humble the four candidates submitted themselves for the initiation, was worth seeing. Charles E. Showalter and John Stewart, both members of the Board of Directors of the Association, were two of the victims, and the other two were Bob Geisler and I. L. Hillman. The new method of initiation was praised by those present, and while the initiation team members had quite a lot of preparatory work for a mock trial written by Ralph Coleman, they certainly enjoyed themselves.

The cast of characters (we believe Warner Brothers would book) includes the following: Betty, A beautiful winsome Miss—Jim Maloney, Irish River Boat Fireman—Fred Whitlinger, His Honor, the Judge—Byron Stump, Determined Prosecuting Attorney—Tom Sheriff, Helpless Defense Attorney—Geo. Tomlinson, Hank Cacalovich—Ed. Schramko, Pete Peelheel—Harry Byers, Court Crier—Art Feeman, Hotel Detective—Stan Byerly, Admiral of the Flagship—Oscar Grosskopf, Prosecution Star Witness—Carl Stump.

All of the new members of the Herd were glad to learn the mysteries of the Zebras, and the Herd felt they repaid at least partly, the debt of gratitude these members are due from the association.

OUR DISTAFF SIDE

According to Webster

"Distaff: the work or activities of women, or woman's authority or domain."

With this definition in mind the editors have chosen the above heading for this regular monthly feature about the activities of credit women's clubs in local credit associations. Look for this section each month.

And a word to local club secretaries: "To make a headline, remember the deadline"—which is the 15th of the month preceding publication.

"Golden Gate" scholarships

San Francisco.—Through arrangements made by the Credit Women's Club, the Credit Managers' Association of Northern and Central California is giving a scholarship to the women who make the highest grade in this year's educational classes of the National Institute of Credit. According to Miss Virginia Kern, president, there will be a scholarship for the junior as well as the senior course.

Three clubs get together

Utica.—The Utica Credit Women's Group, organized last spring, held its second and largest dinner meeting on Sept. 27 and heard as guest speaker, Miss Bess R. Havens of Binghamton, an outstanding member of the Women's group.

Forty were present at the meeting with five from Binghamton and several from Syracuse. At the speaker's table were Miss Doris M. Weir, local Women's Group President, Miss Havens, Miss Catherine O'Donnell of Binghamton and Miss Catherine O'Brien of Syracuse. The hostess committee consisted of Miss Weir, Miss Catherine Garvey, Miss Marjorie Rowe and Miss Helen Switzer, Secretary of the Utica A. C M.

The Utica group held a series of luncheon forums every Tuesday in October and announcement was made at the meeting of the educational courses under the auspices of the Utica Chapter of the National Institute of Credit, which will cover credits and collections as well as business law.

K. C. "C" women observe Year 11

Kansas City.—Celebrating its 11th anniversary, the local Credit Women's Club held its first meeting of the year on Oct. 11 at the Hotel Bellerive. Following short talks by J. G. Dean on membership and Secretary L. C. Smith about the San Francisco Credit Congress, Mrs. Fitterling, Chairman of the meeting, called on Past Presidents of the club to relate the story of its growth. First Chairman, Martha S. Dunsky, now postmistress of Sugar Creek, told about the club's beginning and about Bertha Miller who was the first credit woman to serve on the Kansas City A.C.M. Board of Directors. Other talks were made by Frances Connally, Lorene Connor, Ruth Bailey, Mabel Fitch, Ina May Sydenstricker, Gladys Rose, Grace Berntsen and Marie Schmidt. Greetings from Grace Simpson, the club's fourth leader, arrived from her home in Tucson.

Philadelphia active

Philadelphia.—Regular meetings of the Credit Women's Club are held on the second Thursday of each month. On Oct. 13 this was a dinner meeting at Leed's Restaurant. The club will continue to publish this year its attractive 20 page bulletin entitled "Credit Chatter."

Redmond talks to N. Y. "C" women

New York.—The New York Credit Women's Group opened its season with a dinner meeting at the Hotel Shelton on Thursday evening, Oct. 6th. Despite a heavy rain, a goodly number assembled to hear Chairman Marion E. King, of Hudnut Sales Co., tell of her trip to the Credit Congress of Industry which was held in June at San Francisco; and to hear Mr. John L. Redmond, of Crompton Richmond Co., President of the New York Credit Men's Association, give a resume of the activities and plans of the Association for the coming year. Miss King went to the San Francisco Convention as the delegate of this Group.

Particularly noteworthy in Miss King's address was her account of the enthusiastic response by the delegates assembled at San Francisco to her report relative to the Helen R. Pouch Scholarship established in 1937 in New York, and to her hope, expressed there on behalf of the New York Group and Miss Jane Sweaf, Committeewoman for the Eastern Division of the National Association of Credit Men, that all women's credit groups thruout the country adopt a similar scholarship, thus encouraging young women to take up Credit as a profession, and fostering credit education among all women.

It is hoped we shall hear that some of the Groups, at least, have made definite progress in this direction before the next Credit Congress convenes, and that before long the scholarship idea will be put on a national basis. Miss King expressed appreciation for the hospitality shown her by the San Francisco Women's Group.

Mr. Redmond impressed on the members the manifold activities of the New York C. M. A. and its many services, and was cordially greeted.

The Women's Credit Group, under the direction of one of its members, Mrs. Katherine LoDuca Hughes, of R. B. Davis Sales Co., has organized a Music Club and it is expected the Group will have some pleasant song sessions at its regular meetings in the future, and that this Group will bring the members together socially more frequently than has been the custom in the past.

Card party at Seattle

Seattle.—The local Credit Women's Club held its regular monthly meeting on Oct. 10 at the Dolly Madison Tea Room and heard an interesting talk by Mrs. Marie Proctor, District Commissioner of Immigration. Miss Adele Dimita presented several song selections at this meeting. The club's first card party was held on Oct. 6 and on Oct. 15-16, it entertained Tacoma and Portland Credit Women's Club. This was the first three cornered gathering of the groups.

Sponsor tea

Philadelphia.—The local Credit Women's Club was active in the Tri-State Conference here in October and sponsored a tea for lady delegates to the conference on Friday Afternoon, Oct. 21.

83 L. A. members

Los Angeles. — "The Last Word", publication of the Women's Division of the Los Angeles C. M. A., made its first appearance of the year in September with a 20 page issue, plus a roster of the entire membership of the Women's Division. This now totals 83. At the September meeting, President Clara Schroeder took office, succeeding Vi Osburne. Mrs. Ruby Smailes, President of the Zonta Club, was guest of honor at the meeting which was featured by a musical program as well as a series of book reviews by Mrs. Fred Carpenter. On Oct. 24 the Alpha Nu Hallowe'en Costume party was held and enjoyed by all present.

Pittsburgh girls active

Pittsburgh. — "Credit Cheer" is the name of the Pittsburgh Credit Women's Club monthly bulletin which appeared in October. The club held a card party for the benefit of the scholarship fund on Nov. 2 following an Oct. 17 meeting at which H. G. Archer, Pittsburgh Post-Gazette, presented the subject: "Shall We Factor Our Accounts?" At this meeting there was also a talk by I. L. Hillman, Assistant Treasurer of the Dravo Corporation, in which he reviewed the article on "Business and Government" from the Sept. issue of "Fortune" magazine.

Friends of Norma Wiberly, Roessing Mfg. Co., were shocked to learn of her serious injury in an automobile accident at Oil City on Oct. 9. She was confined to Oil City Hospital for some weeks.

Cleveland "corn roast"

Cleveland.—The local Credit Women's Club became active early in September with a "corn roast" and followed that with its first fall meeting on Sept. 13 at which President Sara Yoelson gave a vivid picture of her trip to the San Francisco Credit Congress in June. Elsie Daly told of her trip on the Queen Mary to Ireland, Jo Chamberlain of her plane trip to Omaha while vacationing, and Anne Linde narrated her experiences on her New Orleans trip. Two new members were welcomed to the club. On Oct. 11 the regular monthly meeting of the club was again held with dinner at the Mid-day Club.

The business thermometer:

Manufacturers:

Manufacturers' sales during September 1938 declined 16 percent from last September, according to reports from 1,324 manufacturers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce. This was the smallest relative decrease recorded for any month of 1938 compared with the corresponding month of last year.

Total sales for this group of firms during September of this year amounted to 278 million dollars as compared with a sales volume of 332 million dollars in September of last year and 261 million dollars during August 1938.

Each of the industry groups for which data are shown separately recorded sales decreases from last September. The smallest relative decline was registered by the Leather Products industry, sales for this group declining 3 percent. The production goods industry continued to experience larger than average declines from last year, sales decreasing 33 percent in the Iron and Steel Products industry, and 27 percent in the Machinery group. The largest relative decrease was recorded by the Motor-Vehicle Parts industry with a decline of 37 percent from last September.

First nine months — 1938

Manufacturers' sales during the first nine months of 1938 declined 23 percent from the corresponding period of last year according to slightly over 1,000 manufacturers furnishing reports for every month of both periods.

Total net sales for this group amounted to 1,767 million dollars during the first three quarters of 1938 as compared with a sales volume of 2,302 million dollars for the first nine months of 1937.

Although the sales comparison with 1937 is only slightly more favorable on the nine months' basis than the half year decline of 24½ percent, each of the months in the third quarter of this year registered a more favorable comparison than total sales for the first half year. The monthly sales comparison for each of the months of the third quarter have also been progressively more favorable, July sales being down 24 percent from last July, August sales declining 18 percent from last August, and September sales down 16 percent.

Although no industry group attained the sales volume of the first three quarters of 1937 during the corresponding period of this year, wide variation existed among the industries for which data are shown. Sales declines for the first nine months of this year ranged from a 5 percent decrease registered by the Printing, Publishing and Allied Industries group to a decrease of 48 percent recorded by both the Iron and Steel products and Motor-Vehicle Parts industries.

Wholesalers:

The dollar volume of wholesale trade during September declined 13 percent from last September, according to reports from 2,500 wholesalers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce.

Total net sales for the reporting group during September 1938 amounted to 217 million dollars as compared with 250 million dollars for September of last year and 208 million dollars in August 1938.

The 13 percent sales decline from last year recorded during September 1938 brought the value of wholesale trade to a point approximately 7 percent under the 1936 level, but about 10 percent above the dollar volume of September 1935.

September sales increased 5 percent from August 1938 without adjustment for seasonal variation. This increase is somewhat smaller than the 7½ percent rise between these months during both 1937 and 1936.

Of the lines of wholesale trade for which data are shown separately, only wholesalers of Automotive Supplies recorded a sales increase over September 1937. Sales for this group were 4 percent above the September 1937 level. Although wholesalers of Surgical Equipment and Supplies, Tobacco, and Meats and Meat Products

MANUFACTURERS' sales and collections on accounts receivable, September 1938

Industry	September Dollar Sales				Sales for Nine Mos. 1938			Collection Percentages*				Total Accounts Rec.		
	Number of firms	Percent change Sep. 1938 from Sep. 1937	Percent change Sep. 1938 from Aug. 1938	Sept. 1938 (000's)	Number of firms	Percent change from 9 Mos. '37	First Nine Mos. 1938 (000's)	Number of firms	Sep. 1938	Sep. 1937	Aug. 1938	Percent change Sep. 1, '38 from Sep. 1 1937	Percent change Sep. 1, '38 from Aug. 1 1938	As of Sep. 1 1938 (000's)
Food and kindred products, total	423	-6.0	+36.0	$60,092	379	-14.5	$347,417	125	124	126	121	-12.7	+5.6	$21,286
Confectionery	288	-7.3	+75.8	26,488	288	-8.0	161,422	4	199	195	106	-9.9	+39.7	218
Flour, cereals and other grain mill prod.	15	-7.5	+21.4	9,328	11	-13.3	41,423	13	160	162	160	-16.8	+3.8	2,985
Meat packing	18	-6.8	+10.9	5,732	9	-17.3	17,625	15	187	186	180	-4.8	+7.0	2,738
Wine	25	-31.1	-2.1	456	13	-22.4	2,686	21	41	51	39	-2.6	+9.6	1,027
Other food products	77	-2.1	+14.6	18,088	58	-21.5	124,261	72	109	111	108	-13.8	+5.0	14,318
Textiles and their products, total	88	-13.4	+7.1	17,718	62	-26.2	92,260	84	60	55	61	-23.9	+27.9	23,630
Clothing, men's, except hats	22	-18.0	+19.3	4,047	16	-28.8	18,946	21	40	44	43	-24.9	+24.7	6,128
Clothing, women's, except millinery	17	-11.4	+5.2	1,694	12	-28.3	6,325	17	56	55	70	-28.0	+91.4	1,880
Knit goods	10	+0.6	+3.7	2,223	8	-7.0	13,781	10	69	68	71	-1.4	+33.8	2,629
Other textile products	39	-14.4	+3.7	9,754	26	-28.9	53,208	36	67	59	66	-26.3	+22.4	12,993
Forest products, total	40	-17.8	+4.7	3,279	35	-31.7	18,497	35	69	70	71	-18.6	+10.8	3,992
Furniture	25	-11.8	+12.6	1,583	22	-31.9	11,749	23	56	59	56	-16.1	+13.7	2,238
Lumber, timber, and other miscellaneous forest products	15	-22.8	-1.7	1,696	13	-31.3	6,748	12	87	84	90	-21.7	+7.3	1,754
Paper and allied products, total	86	-6.5	+3.8	11,399	64	-16.5	74,633	80	81	80	79	-7.2	-0.9	12,969
Paper, writing, book, etc.	13	+1.2	-1.8	2,726	12	-13.1	26,846	10	106	97	103	-6.5	-1.5	2,564
Paper, boxes and other paper products	52	-7.3	+4.3	7,967	31	-18.0	37,651	50	99	97	101	-10.3	+3.9	7,065
Wall paper	21	-21.4	+23.9	706	21	-19.2	10,136	20	24	25	21	-0.4	-9.1	3,340
Printing, publishing and allied industries	33	-9.9	+16.3	1,425	8	-4.9	5,684	31	63	69	65	-9.7	-4.5	1,941
Chemicals and allied products, total	77	-16.3	+11.4	12,146	45	-17.2	112,642	73	77	81	74	-14.0	-3.0	14,666
Paints and varnishes	38	-13.2	-3.2	2,784	19	-16.5	14,431	37	55	60	52	-12.7	-2.2	6,040
Pharmaceuticals and proprietary medicines	20	-8.2	+18.9	2,447	9	-10.8	9,552	19	70	64	70	-11.1	+3.6	2,686
Other chemical products	19	-20.0	+15.8	6,915	17	-18.0	88,659	17	103	107	97	-16.6	-6.5	5,940
Petroleum products	19	-10.4	-5.5	46,876	12	-5.5	372,573	17	111	113	118	-10.2	-3.8	26,823
Rubber products	12	-6.1	-8.0	2,894	9	-19.1	20,667	11	59	60	65	-11.3	+4.2	5,151
Leather and its products, total	83	-3.2	-20.5	23,721	73	-19.4	165,017	75	47	46	51	-10.8	+29.2	45,008
Boots and shoes	37	-1.3	-18.9	19,001	25	-14.3	125,273	34	42	40	43	-11.3	+30.9	38,628
Leather, tanned, curried, and finished	28	-8.6	-31.8	3,797	37	-32.0	37,418	26	77	78	99	-7.2	+19.4	5,313
Other leather products	18	-17.4	+12.3	923	11	-35.0	2,326	15	71	80	74	-10.1	+22.1	1,067
Stone, clay and glass products	37	-20.5	-1.1	7,888	30	-23.8	59,906	33	80	77	81	-20.2	+10.3	9,417
Iron and steel and their products, total	124	-32.7	+11.2	37,716	65	-48.1	192,097	117	81	86	80	-30.7	+11.6	41,097
Hardware	16	-12.5	+1.4	2,496	12	-23.2	17,466	15	73	81	73	-12.5	+4.8	3,210
Stoves, ranges, steam heating apparatus	14	-18.7	+24.7	2,424	11	-41.7	13,792	14	59	62	66	-22.2	+30.7	3,049
Other iron and steel products	94	-34.7	+11.2	32,796	42	-50.3	160,839	88	84	88	82	-32.6	+10.9	34,838
Non-ferrous metals and their products, total	37	-17.1	+13.5	10,251	29	-36.0	44,679	34	70	78	70	-14.1	+21.1	11,462
Jewelry and jewelers' supplies	26	-17.6	+17.9	5,541	19	-20.8	15,803	24	71	81	72	-9.9	+30.5	5,487
Machinery, not including transportation equipment, total	174	-26.6	+4.1	32,885	134	-26.7	200,697	155	56	65	56	-18.8	+5.4	47,423
Electrical machinery, apparatus and sup.	95	-22.8	+6.3	24,510	77	-23.7	123,605	83	56	66	54	-14.9	+7.6	35,579
Other machinery, apparatus and supplies	79	-35.8	-1.9	8,375	57	-31.1	77,092	72	55	62	60	-28.4	-0.8	11,844
Motor-vehicle parts	41	-36.9	+11.9	4,380	30	-48.0	27,918	38	76	82	76	-43.3	+9.8	4,568
Miscellaneous industries	50	-6.7	+8.7	5,147	36	-20.3	32,604	45	60	62	61	-9.6	+9.0	7,106
Total	1,324	-16.4	+6.6	277,817	1,011	-23.2	1,767,291	953	74	76	76	-18.3	+10.3	276,539

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.

recorded only slight decreases of 1½ percent, 3 percent, and 4 percent, respectively, decreases in the durable goods trades were in general considerably larger. Wholesalers of Electrical Goods recorded a decrease of 25 percent; Heavy Hardware, 23 percent; Industrial Supplies, 25 percent; Machinery, 28 percent; and Metals 28 percent from last September.

First nine months — 1938

Total wholesale trade during the first nine months of 1938 declined 15 percent from the corresponding period of last year according to almost 1900 wholesalers furnishing reports for every month of both periods.

Total net sales for this group amounted to 1,466 million dollars during the first three quarters of 1938 as compared with a sales volume of 1,720 million dollars for the first 9 months of 1937.

Although the sales decline from 1937 for the first nine months of 1938 was identical with the percent change registered for the first half of this year from last year, considerable difference existed among the monthly percent changes recorded during the months of the third quarter. July 1938 sales were 18 percent below July 1937, August was down only 10½ percent from last August, while the September decline was 13 percent.

None of the wholesale trades for which data are shown separately attained the sales volume of 1937 during the first nine months of 1938. The smallest relative decreases were registered by wholesalers of Automotive Supplies and Meats and Meat Products, sales for both groups declining 3 percent.

As in the September comparison, the durable goods trades recorded the largest sales declines for the year to date comparison. Sales of Electrical Goods were down 28½ percent; Heavy Hardware, 28 percent; Industrial Supplies, 30 percent; Plumbing and Heating Supplies, 26 percent; and Machinery, 27 percent. Only the Jewelry and Optical Goods Trade registered a larger relative decline, with a decrease of 31 percent from last year.

WHOLESALERS' sales and inventories, September 1938

Kind of Business	September Dollar Sales				Sales For Nine Mos. 1938			End of Month Inventories (Cost)				Stock-Sales Ratios#		
	Number of Firms	Percent change Sept. 1938 from		Sept. 1938 (000's)	Number of Firms	Percent change from 9 Mos. 1937	First Nine Mos. 1938 (000's)	Number of Firms	Percent change Sept. 1938 from		Sept. 30, 1938 (000's)	Sep. 1938	Sep. 1937	Aug. 1938
		Sept. 1937	Aug. 1938						Sept. 1937	Aug. 1938				
Automotive supplies	144	+ 4.0	+16.8	$3,323	123	− 3.0	$19,474	66	− 9.6	− 3.3	$3,500	213	232	270
Clothing and furnishings, except shoes	23	−23.3	+10.4	2,925	15	−21.7	10,920	9	−22.8	−11.7	852	223	202	291
Shoes and other footwear	35	−14.5	− 8.8	13,198	32	−17.1	94,877	20	−20.1	−12.5	5,823	96	124	98
Drugs and drug sundries##	144	− 8.7	+ 9.7	22,105	130	− 6.7	168,531	108	−10.0	+ 2.2	33,282	197	195	212
Dry goods	103	− 9.5	+ 4.8	14,637	82	−18.9	67,220	67	−26.7	− 3.9	22,422	191	237	208
Electrical goods	337	−25.0	+ 1.6	16,636	296	−28.5	131,069	282	−26.8	− 1.8	18,072	122	125	125
Farm Products (consumer goods)	39	−10.0	+ 6.5	3,340	17	− 7.3	17,161	22	− 5.4	+ 2.5	1,110	70	81	71
Furniture and house furnishings	37	−16.5	+22.8	3,417	30	−23.6	20,003	15	−27.9	+ 1.2	4,018	199	252	255
Groceries and foods, except farm products	669	−12.2	+ 4.4	55,073	442	−10.2	330,834	339	−11.6	+ 1.6	48,074	153	151	157
Meats and meat products	25	− 4.4	+ 5.6	9,223	15	− 3.3	73,027	19	+ 7.8	− 2.6	4,725	84	74	89
Total hardware group	425	−16.0	+ 8.0	31,953	402	−21.6	242,200	274	−15.4	− 1.0	55,889	248	247	274
General hardware	169	−13.1	+ 9.4	21,438	160	−18.3	166,322	105	−18.0	− 1.0	40,396	258	274	289
Heavy hardware	25	−23.0	− 7.8	1,433	22	−28.1	9,917	18	− 2.6	+ 0.5	3,247	308	247	289
Industrial supplies*	124	−24.9	+ 5.8	4,742	121	−29.7	36,951	83	− 7.0	− 0.6	8,384	247	193	264
Plumbing and heating supplies	107	−16.2	+ 9.5	4,340	99	−25.7	29,010	68	−13.5	− 3.3	3,862	163	161	185
Jewelry and optical goods	53	−22.0	+50.3	2,803	39	−30.6	8,773	27	−17.9	+ 3.2	4,012	264	248	419
Leather and shoe findings	10	− 3.1	− 0.4	284	8	−12.1	1,635	—	—	—	—	—	—	—
Lumber and building materials	29	−15.6	+ 0.8	1,683	13	−20.4	6,726	16	−12.9	− 0.9	1,528	160	146	154
Machinery, equipment and supplies, except electrical	29	−27.7	− 0.6	1,859	19	−27.3	14,480	17	−19.7	+ 0.2	3,688	286	246	300
Metals	15	−28.1	+ 0.2	943	5	−12.1	2,092	9	−37.5	− 3.3	1,299	224	216	224
Paints and varnishes	16	−13.9	− 0.2	1,750	7	−16.2	13,762	5	−11.5	− 0.5	201	160	185	146
Paper and its products	60	−10.1	+ 2.3	3,791	45	−17.0	24,303	28	−17.8	+ 1.4	3,286	153	172	164
Petroleum	9	− 9.5	+ 6.3	3,515	4	− 4.1	32,554	5	−11.7	+15.8	513	53	55	41
Surgical equipment and supplies	44	− 1.5	+ 8.5	893	31	− 3.8	5,523	25	− 6.1	0.0	1,126	169	180	186
Tobacco and its products	205	− 2.6	− 5.4	17,850	112	− 5.8	160,140	75	+ 6.0	−10.3	4,662	55	49	58
Miscellaneous	50	−15.0	+14.7	6,288	20	−21.9	20,680	29	− 7.7	− 1.1	7,483	143	131	166
Total	2501	−12.9	+ 4.6	$217,489	1887	−14.8	$1,465,984	1457	−15.8	− 0.8	$225,565	165	170	175

*This heading also includes distributors of mill, mine and steam supplies.
—Insufficient data to show separately.
#These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.
##Total Sales, including liquors, wines, etc.

WHOLESALERS' accounts receivable and collections, September 1938

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		Sept. 1938	Sept. 1937	Aug. 1938	Percent change September 1, 1938 from		As of Sept. 1, 1938
					Sept. 1, 1937	Aug. 1, 1938	
Automotive supplies	112	53	59	55	+ 2.7	+ 8.2	$3,326
Clothing and furnishings, except shoes	23	40	39	34	−22.5	+36.9	4,819
Shoes and other footwear	29	40	40	42	−12.2	+33.4	12,034
Drugs and drug sundries	126	73	78	73	+ 0.6	+ 1.6	23,138
Dry goods	91	41	39	42	−16.6	+21.3	24,721
Electrical goods	302	63	69	67	−19.8	+ 0.5	21,870
Farm products (consumer goods)	33	134	126	143	− 9.7	+ 5.7	1,554
Furniture and house furnishings	33	52	52	53	−21.5	+ 4.8	4,546
Groceries and foods, except farm products	506	99	106	100	− 6.5	+ 0.5	39,629
Meats and meat products	20	165	173	154	− 2.5	+ 1.3	2,969
Total hardware group	387	51	53	51	−15.5	+ 5.5	49,443
General hardware	152	48	49	47	−13.8	+ 5.3	35,065
Heavy hardware	23	59	66	62	−17.0	+ 6.4	2,238
Industrial supplies**	109	62	67	61	−23.3	+ 5.1	5,760
Plumbing and heating supplies	103	56	60	57	−16.4	+ 6.5	6,380
Jewelry and optical goods	44	22	25	24	−10.4	+11.2	4,214
Leather and shoe findings	8	59	52	61	−10.0	− 2.3	424
Lumber and building materials	29	61	64	63	−15.3	+ 3.8	2,422
Machinery, equipment and supplies, except electrical	25	51	55	49	−18.0	+ 0.8	3,066
Metals	13	65	55	65	−36.9	+ 9.8	1,195
Paints and varnishes	14	63	65	63	−10.8	+ 1.0	2,638
Paper and its products	48	63	66	57	−11.6	+12.9	4,867
Petroleum	6	109	106	112	−16.3	+ 2.1	1,107
Surgical equipment and supplies	42	43	44	44	− 0.9	+ 2.8	1,616
Tobacco and its products	122	130	132	135	+ 0.4	− 2.0	8,307
Miscellaneous	44	65	70	66	− 9.3	+ 6.3	8,324
Total	2057	67	69	69	−12.0	+ 6.6	226,229

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**This heading also includes distributors of mill, mine and steam supplies.

WHOLESALERS' sales and inventories, by geographic regions, September 1938

Kind of Business and Region	September Dollar Sales				Sales For Nine Mos. 1938			End of Month Inventories (Cost)				Stock-Sales Ratios∮		
	Number of firms reporting sales	Percent change Sept. 1938 from Sept. 1937	Percent change Sept. 1938 from Aug. 1938	Sept. 1938 (000's)	Number of firms	Percent change from Nine Mos. '37	First Nine 1938 (000's)	Number of firms reporting stocks	Percent change Sept. 1938 from Sept. 1937	Percent change Sept. 1938 from Aug. 1938	Sept. 30, 1938 (000's)	Sep. 1938	Sep. 1937	Aug. 1938
New England	150	− 9.7	+ 8.0	$12,003	111	−18.0	$49,335	85	−15.3	− 0.5	$8,176	118	125	132
Drugs and drug sundries	8	−11.3	+11.4	946	8	− 9.9	7,566	7	− 8.1	+ 3.8	1,548	185	175	199
Electrical goods	32	− 6.7	+18.6	1,430	30	−28.2	9,735	27	−29.9	− 0.9	1,372	99	131	118
Groceries and foods, except farm products	26	−11.3	− 2.8	1,878	9	− 7.8	3,764	9	−10.3	− 2.7	755	154	151	154
General hardware	9	− 0.4	+37.4	551	7	−16.2	2,528	4	−16.9	+ 0.3	740	193	241	299
Industrial supplies*	17	−18.7	+ 7.8	331	17	−30.1	2,654	10	− 0.5	+ 3.0	590	285	245	310
Plumbing and heating supplies	10	−11.3	+ 5.9	323	10	−21.7	2,281	5	−11.7	+ 0.7	461	197	210	212
Tobacco and its products	18	− 0.7	− 3.1	2,776	9	− 5.4	9,681	7	+ 0.7	+ 1.2	409	35	34	34
Middle Atlantic	506	−16.2	+ 3.3	50,378	398	−15.6	324,211	279	−14.2	− 2.6	32,704	143	139	153
Automotive supplies	15	+ 1.6	+ 1.8	389	9	− 7.4	1,336	7	− 2.7	0.0	499	314	311	297
Clothing and furnishings, except shoes	9	−22.6	+11.6	2,308	5	−23.1	8,496	—	—	—	—	—	—	—
Shoes and other footwear	12	−14.5	−10.8	6,322	9	− 8.4	6,351	4	− 3.7	− 3.3	1,135	176	203	153
Drugs and drug sundries	21	−11.8	+ 8.8	4,261	20	− 7.7	35,030	17	− 9.9	− 0.6	4,358	146	139	163
Dry Goods	27	−13.3	+ 2.7	1,924	17	−27.1	10,578	18	−22 9	− 0.1	2,690	223	240	257
Electrical Goods	66	−32.1	− 4.8	2,727	61	−35.4	24,936	56	−31.1	− 1.8	3,014	119	115	115
Groceries and foods, except farm products	96	−15.6	+ 1.3	10,555	70	−11.2	82,406	34	−13.3	− 2.2	6,173	141	133	145
Meats and meat products	6	− 5.1	+10.3	3,759	4	−12.7	29,132	4	+ 0.6	− 2.4	163	48	37	54
General hardware	33	−11.9	+21.0	2,213	31	−13.8	16,731	14	−21.7	− 1.4	2,803	262	292	334
Heavy hardware	9	−18.1	+ 3.9	404	9	−21.6	3,229	6	− 4.1	+ 0.5	924	267	226	278
Industrial supplies*	37	−26.9	+ 7.8	1,179	37	−33.1	9,633	26	−16.6	− 1.9	2,211	241	197	265
Plumbing and heating supplies	41	−11.4	+10.3	1,409	39	−25.4	9,319	29	−16.3	− 5.4	1,330	138	143	172
Jewelry and optical goods	19	−27.5	+84.0	885	17	−39.8	3,630	10	−11.5	+ 4.5	1,986	292	249	559
Lumber and building materials	9	−18.2	+ 2.1	292	5	−26.8	1,662	—	—	—	—	—	—	—
Surgical equipment and supplies	5	0.0	+22.2	110	4	− 9.6	472	4	−11.8	+ 0.6	165	165	185	202
Paper and its products	19	− 9.5	+ 0.8	1,330	15	−19.2	9,551	8	−19.9	− 0.1	1,129	142	164	145
Petroleum	5	− 3.3	+11.2	2,706	—	—	—	—	—	—	—	—	—	—
Tobacco and its products	53	− 5.8	− 7.2	5,655	28	− 1.2	44,536	30	+12.5	−16.6	2,936	64	53	70
East North Central	464	−18.1	+ 6.8	38,542	335	−17.9	287,266	268	−19.1	− 0.2	42,896	174	172	189
Automotive supplies	38	− 7.3	+25.6	840	34	− 2.0	5,507	23	−11.3	− 7.5	1,213	203	208	306
Drugs and drug sundries	23	−11.4	+ 8.6	3,020	20	−11.4	21,808	15	−13.9	+ 4.8	3,807	174	172	182
Dry goods	10	−19.0	+25.2	1,244	9	−23.0	7,992	7	−25.6	− 6.9	2,170	186	202	256
Electrical goods	63	−33.0	+ 7.8	3,936	49	−31.2	28,400	51	−23.0	− 3.7	3,698	124	106	134
Farm products (consumer goods)	10	−16.0	−10.2	300	—	—	—	5	− 1.9	+ 6.0	106	78	65	63
Groceries and foods, except farm products	98	−15.3	+ 7.2	10,386	76	−11.6	66,921	57	−14.0	+ 2.5	9,958	158	156	162
Meats and meat products	7	−25.8	− 2.6	606	—	—	—	7	+18.5	+ 7.2	179	30	18	27
General hardware	26	−16.4	+14.8	5,370	23	−22.5	36,023	21	−24.7	− 1.6	12,018	239	264	276
Industrial supplies*	22	−38.7	+ 6.0	1,006	22	−44.7	7,742	16	−33.3	+ 0.7	2,208	269	170	[illegible]
Plumbing and heating supplies	14	−34.6	+ 3.0	577	11	−31.9	3,944	7	− 3.7	− 2.1	515	280	215	271
Jewelry and optical goods	18	−23.9	+33.0	1,028	14	−29.4	2,892	8	−20.2	+ 6.9	1,069	242	245	298
Lumber and building materials	7	−16.9	+ 7.8	360	—	—	—	4	−23.5	− 6.5	244	128	129	139
Machinery, equipment and supplies, except electrical	5	−24.5	−13.4	188	—	—	—	—	—	—	—	—	—	—
Surgical equipment and supplies	11	− 3.4	− 3.1	286	4	0.0	1,815	6	−14.7	− 1.4	347	157	182	152
Metals	10	−31.5	+ 1.7	612	—	—	—	5	−44.1	− 5.4	747	283	236	281
Paper and its products	18	−16.1	− 0.2	1,246	11	−20.8	7,190	10	−21.7	+ 8.1	932	157	168	161
Tobacco and its products	55	+ 0.1	− 6.9	5,130	35	− 9.3	84,483	15	− 6.0	+ 7.4	779	56	60	51
West North Central	308	− 9.5	+ 2.3	34,911	247	− 8.6	248,090	213	−17.8	− 1.6	48,191	161	177	166
Automotive supplies	17	+20.1	+22.9	639	13	+ 1.9	3,176	6	−12.3	− 3.2	399	213	250	248
Clothing and furnishings, except shoes	7	−23.8	+ 3.7	224	4	−14.3	759	5	−34.4	− 5.6	271	191	231	256
Shoes and other footwear	5	+ 2.8	−13.5	3,499	5	− 0.3	31,359	4	−23.4	−19.0	2,405	71	95	76
Drugs and drug sundries	17	− 5.5	+10.9	2,908	16	− 5.6	23,397	15	− 9.7	− 0.9	4,683	185	192	204
Dry goods	9	− 7.4	− 0.9	4,446	7	−15.9	13,694	8	−31.8	− 1.5	8,267	191	259	190
Electrical goods	39	−29.5	− 8.6	1,707	33	−20.1	14,356	34	−29.3	− 4.1	1,913	120	117	115
Farm products (consumer goods)	6	− 9.8	−11.7	331	—	—	—	5	− 6.7	+ 4.3	196	69	68	59
Furniture and house furnishings	10	−13.9	+22.5	1,474	8	−20.5	10,374	7	−28.6	+ 3.2	2,490	236	300	291
Groceries and foods, except farm products	97	−13.3	+ 5.6	6,880	78	− 9.1	48,400	68	− 9.5	+ 1.7	9,259	167	160	171
General hardware	15	−13.5	+13.8	3,850	15	−15.1	31,305	14	−15.9	+ 0.1	9,259	249	255	282
Heavy hardware	5	−14.9	− 8.0	8.0	5	− 7.7	683	4	+ 1.0	− 1.4	209	475	334	400
Industrial supplies*	13	−14.6	− 3.7	498	13	−18.4	3,841	9	−10.8	− 1.2	680	174	167	172
Plumbing and heating supplies	11	−20.0	+ 2.0	411	11	−16.7	2,771	5	−10.6	− 4.2	498	192	177	209
Jewelry and optical goods	7	−12.4	+37.3	276	5	−20.3	681	5	− 5.7	− 0.5	559	307	291	432
Surgical equipment and supplies	5	− 1.9	+ 2.0	52	5	− 4.0	456	—	—	—	—	—	—	—
Tobacco and its products	15	− 8.0	− 4.8	789	8	− 0.8	4,266	5	− 9.9	− 5.0	192	44	44	43
South Atlantic	323	− 9.7	+ 5.3	17,950	254	−14.1	138,645	176	−14.2	− 0.4	16,884	160	167	167
Automotive supplies	5	+ 9.2	+17.4	202	4	− 5.3	1,208	—	—	—	—	—	—	—
Shoes and other footwear	5	+ 3.6	− 6.2	1,595	5	− 9.6	9,598	4	−26.6	−14.3	1,364	88	124	95
Drugs and drug sundries	27	− 3.4	+ 8.8	2,319	22	− 3.2	18,611	17	+ 0.6	+ 2.6	3,776	233	221	249
Dry goods	11	−16.6	+30.7	9,259	11	−20.3	7,263	6	−32.6	− 4.8	1,088	174	211	250
Electrical goods	55	−22.1	+ 0.3	2,301	48	−30.1	16,959	46	−25.9	− 0.5	2,427	116	125	116
Farm products (consumer goods)	5	− 0.5	+ 9.4	187	—	—	—	—	—	—	—	—	—	—
Groceries and foods, except farm products	105	−12.3	+ 2.2	4,614	70	−13.6	29,419	35	−17.4	+ 4.2	2,460	139	148	139
General hardware	28	− 9.6	+ 9.7	1,839	28	−19.0	20,548	16	− 3.0	+ 0.9	3,017	297	272	323
Industrial supplies*	15	− 5.1	− 3.0	354	13	−22.5	2,278	9	− 3.6	− 3.0	559	201	209	191
Plumbing and heating supplies	19	− 0.5	+20.6	860	18	−10.7	5,420	16	−18.7	− 2.4	687	139	148	152
Paper and its products	7	+ 7.1	− 1.8	334	6	− 8.5	2,680	—	—	—	—	—	—	—
Surgical instruments and supplies	7	+ 0.8	+ 8.5	127	5	− 8.6	754	5	+ 9.7	+ 0.5	203	190	176	198
Tobacco and its products	21	+ 1.1	+ 0.6	1,128	13	− 1.1	8,206	7	+ 4.3	+ 0.7	147	61	64	64
Furniture and house furnishings	5	−13.5	+26.7	237	—	—	—	—	—	—	—	—	—	—
East South Central	146	−11.0	+ 9.0	9,838	105	−16.3	61,094	73	−15.3	− 1.0	9,314	157	168	175
Drugs and drug sundries	13	− 7.6	+12.1	1,341	10	− 8.6	6,823	9	− 5.3	+ 4.1	2,146	192	185	206
Dry goods	14	− 2.2	+22.5	1,896	13	−16.2	10,345	7	−29.3	−10.3	2,044	139	200	190
Electrical goods	17	−14.7	+ 6.3	621	13	−23.7	4,687	14	−23.4	+ 4.1	731	133	152	133
Groceries and foods, except farm products	55	−14.2	+ 4.8	2,685	35	−13.8	16,575	17	− 7.7	+ 1.3	1,496	138	140	137
General hardware	15	− 5.6	+ 1.4	1,693	15	−19.4	13,573	8	−12.9	+ 1.4	1,611	255	264	240
Industrial supplies*	5	−13.6	+ 8.9	171	5	−24.1	1,338	—	—	—	—	—	—	—
West South Central	253	−10.0	+ 8.2	20,511	165	−10.8	104,394	164	−12.4	+ 1.1	27,944	192	196	207
Drugs and drug sundries	19	− 4.9	+17.2	2,689	15	− 0.3	17,136	14	− 3.1	+ 2.8	5,174	235	229	268
Dry goods	14	− 6.9	− 8.2	2.545	10	−12.7	8,912	13	−20.1	− 4.9	4,990	211	244	203
Electrical goods	20	−18.7	− 0.1	728	20	−14.3	7,230	14	−22.9	+ 1.7	542	89	97	87
Groceries and foods, except farm products	139	− 8.3	+ 9.8	9,346	73	−10.9	37,823	95	−10.5	+ 4.9	10,813	163	164	172
General hardware	15	−13.2	+ 8.9	1,734	15	−13.1	13,507	10	−13.7	− 3.2	2,392	246	255	286
Industrial supplies*	5	−22.0	+13.8	942	5	−11.1	7,494	4	+ 1.9	− 0.7	1,464	275	202	328
Surgical equipment and supplies	5	− 1.7	+ 3.6	57	—	—	—	—	—	—	—	—	—	—
Tobacco and its products	12	+ 0.2	+ 1.8	496	8	+ 6.4	3,018	—	—	—	—	—	—	—
Mountain	84	− 9.9	− 0.4	6,354	56	−13.5	36,600	54	− 9.4	+ 0.2	6,342	151	149	153
Automotive supplies	5	+12.1	+ 6.6	65	5	+12.9	481	—	—	—	—	—	—	—
Drugs and drug sundries	7	+10.8	− 2.7	946	5	+ 8.5	7,217	6	− 2.6	+ 5.8	1,029	211	209	198
Electrical goods	13	− 2.3	+ 0.6	543	12	−25.4	4,576	10	−11.5	− 3.7	525	104	117	110
Groceries and foods, except farm products	18	− 5.2	+ 3.3	1,523	9	− 3.2	6,837	12	−15.6	+ 3.2	1,513	149	172	153
General hardware	9	−17.1	+ 0.4	958	8	−20.2	6,531	7	− 4.3	− 2.6	1,470	251	225	262
Tobacco and its products	8	− 1.9	+ 3.9	715	—	—	—	—	—	—	—	—	—	—
Pacific	267	−10.0	+ 2.0	27,002	197	−13.9	178,713	144	−14.8	− 0.6	33,076	195	209	202
Automotive supplies	56	+ 4.3	+ 7.2	1,045	41	− 5.4	7,591	20	−10.9	0.0	1,159	229	264	243
Drugs and drug sundries	9	−14.6	+ 8.3	3,675	9	− 9.8	30,943	8	−19.9	+ 2.8	6,761	233	242	238
Dry goods	13	− 6.3	− 0.5	1,212	12	−15.5	7,949	7	−10.7	− 5.6	1,113	208	221	206
Electrical goods	32	−17.8	+ 0.3	2,643	30	−25.2	20,190	30	−27.6	− 1.4	3,850	154	173	156
Farm products (consumer goods)	6	+22.4	+ 6.6	1,001	4	+ 4.5	5,570	4	− 6.4	− 1.2	663	79	109	90
Furniture and house furnishings	8	−30.3	+ 8.9	590	7	−27.5	3,869	—	—	—	—	—	—	—
General hardware	19	−13.7	− 5.2	3,230	18	−19.8	25,576	11	−16.9	− 1.5	7,092	311	351	315
Groceries and foods, except farm products	35	− 6.9	+ 1.4	7,206	22	− 2.2	38,689	17	− 7.7	− 2.4	5,647	133	134	137
Industrial supplies*	8	−11.7	− 0.5	212	8	−22.4	1,706	5	− 2.1	− 0.3	319	307	269	296
Jewelry and optical goods	5	− 5.7	+50.4	200	—	—	—	—	—	—	—	—	—	—
Lumber and building materials	6	+ 2.4	+ 5.0	169	—	—	—	4	− 5.4	+ 1.7	297	241	253	254
Machinery, equipment and supplies, except electrical	5	−22.4	−17.7	121	—	—	—	4	−10.4	+ 2.8	397	351	319	282
Paper and its products	6	− 8.4	+24.2	436	5	− 9.6	2,017	—	—	—	—	—	—	—
Plumbing and heating supplies	9	−19.9	+ 6.7	555	8	−37.8	4,141	4	−24.3	− 1.4	143	166	187	163
Shoes and other footwear	6	− 9.8	− 6.9	203	5	−18.0	1,246	4	− 8.7	+ 6.0	389	209	209	179
Surgical equipment and supplies	6	+ 5.5	− 9.4	96	5	− 7.4	768	4	− 7.7	0.0	204	334	375	304
Tobacco and its products	19	− 0.6	− 5.7	1,096	7	− 3.2	3,748	6	− 8.4	− 3.5	109	67	72	68

*This heading also includes distributors of mill, mine and steam supplies.
∮These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.
—Insufficient data to show separately.

WHOLESALERS' accounts receivable and collections, by geographic regions, September 1938

Kind of Business and Region	Number of firms reporting	Collection Percentages* Sept. 1938	Collection Percentages* Sept. 1937	Collection Percentages* Aug. 1938	Total Accounts Receivable: Percent change Sept. 1, 1938 from Sept. 1, 1937	Total Accounts Receivable: Percent change Sept. 1, 1938 from Aug. 1, 1938	Total Accounts Receivable: As of Sept. 1, 1938 (000's)
New England	143	75	78	76	− 7.5	− 0.1	$16,482
Drugs and drug sundries	8	59	66	59	− 4.6	− 0.4	1,395
Electrical goods	30	64	72	74	−21.1	+ 5.1	1,601
Groceries and foods, except farm products	19	68	71	73	− 7.8	− 3.6	2,314
General hardware	8	45	49	46	− 5.2	− 1.1	828
Heavy hardware	4	59	65	66	−24.2	− 5.1	94
Industrial supplies**	14	52	62	53	− 9.2	+ 2.7	374
Plumbing and heating supplies	9	50	52	53	−12.3	+ 4.9	470
Tobacco and its products	9	113	118	129	+ 0.7	+ 5.9	1,163
Middle Atlantic	408	72	74	75	−13.4	+ 5.9	40,125
Automotive supplies	13	44	50	45	− 0.4	+13.7	556
Clothing and furnishings, except shoes	9	40	40	33	−23.8	+32.2	3,894
Shoes and other footwear	9	36	37	34	− 2.2	+26.3	1,837
Drugs and drug sundries	20	66	70	66	− 1.8	− 1.3	5,052
Dry goods	21	44	46	43	−16.3	+ 8.4	3,167
Electrical goods	63	65	70	70	−26.5	+ 4.2	3,958
Farm products (consumer goods)	4	127	113	143	−16.8	+22.4	410
Furniture and house furnishings	4	67	59	67	−45.5	+ 1.4	224
Groceries and foods, except farm products	74	105	116	110	− 7.4	− 1.5	7,062
General hardware	14	47	49	45	−19.3	+ 5.0	1,728
Heavy hardware	9	60	63	65	−15.5	+ 7.0	534
Industrial supplies**	33	62	66	60	−25.2	+ 0.1	1,536
Plumbing and heating supplies	41	51	55	49	−10.1	+ 7.3	2,344
Jewelry and optical goods	14	20	23	23	−20.4	+ 1.7	794
Lumber and building materials	9	56	58	53	−15.7	+ 5.1	499
Paper and its products	12	57	71	57	− 5.8	+ 5.3	1,446
Surgical equipment and supplies	5	28	32	28	+ 7.5	+11.1	200
Tobacco and its products	37	154	149	155	− 1.6	− 4.9	3,340
East North Central	386	70	73	71	−16.3	+ 4.6	40,112
Automotive supplies	34	55	63	57	+ 0.7	+ 8.7	747
Drugs and drug sundries	20	80	91	79	+ 1.7	+ 4.2	2,933
Dry goods	10	44	46	45	−15.6	+ 9.6	2,003
Electrical goods	57	57	63	60	−27.0	− 2.6	5,332
Farm products (consumer goods)	8	114	126	126	−10.5	− 3.9	197
Groceries and foods, except farm products	75	98	105	100	− 9.9	+ 0.7	7,940
Meats and meat products	5	148	173	149	− 8.3	+ 0.7	297
General hardware	24	52	54	51	−16.0	+ 4.1	8,277
Industrial supplies**	22	67	69	64	−38.7	+15.2	1,327
Plumbing and heating supplies	13	63	61	66	−28.3	+ 5.7	791
Jewelry and optical goods	16	23	28	25	−12.4	+15.0	1,875
Lumber and building materials	7	68	73	71	−19.4	+ 7.0	428
Machinery, equipment and supplies, except electrical	4	65	69	65	−22.3	+12.9	271
Metals	8	65	52	68	−44.8	+ 6.0	690
Paper and its products	17	68	66	57	−18.9	+16.6	1,983
Surgical equipment and supplies	9	47	52	53	+ 7.2	+ 2.7	489
Tobacco and its products	31	124	129	128	− 0.6	− 1.6	1,778
West North Central	263	58	57	62	−12.9	+13.1	43,616
Automotive supplies	15	47	55	49	+13.0	+ 7.4	886
Clothing and furnishings, except shoes	7	32	35	29	−11.8	+49.8	412
Shoes and other footwear	5	42	40	45	−15.7	+41.5	7,385
Drugs and drug sundries	16	80	87	79	+ 4.4	+ 1.9	3,299
Dry goods	9	41	34	46	−21.0	+30.2	7,867
Electrical goods	34	55	62	57	− 4.5	− 2.0	2,629
Farm products (consumer goods)	5	204	208	221	− 7.8	+ 2.9	142
Furniture and house furnishings	10	51	51	53	−23.1	+ 2.8	2,301
Groceries and foods, except farm products	77	116	119	116	− 9.3	− 0.7	4,775
General hardware	15	47	47	46	−16.4	+ 5.0	7,159
Heavy hardware	5	46	55	59	− 7.8	+ 6.3	153
Industrial supplies**	11	50	60	51	− 4.6	+ 6.2	706
Plumbing and heating supplies	11	57	57	55	−11.8	+ 9.4	688
Jewelry and optical goods	6	38	39	36	+11.2	+19.5	307
Surgical equipment and supplies	5	47	47	47	—	—	103
Tobacco and its products	5	182	269	204	+20.1	− 4.4	173
South Atlantic	240	64	67	66	− 9.8	+ 7.8	17,140
Drugs and drug sundries	24	75	85	76	+ 6.0	+ 4.6	2,400
Dry goods	8	39	38	42	−21.7	+16.9	1,480
Electrical goods	47	68	74	70	−15.1	+ 3.2	2,860
Farm products (consumer goods)	4	135	116	129	−12.4	− 8.2	78
Groceries and foods, except farm products	66	98	105	100	− 7.8	+ 0.7	2,666
General hardware	27	44	42	41	−14.9	+ 9.2	3,385
Industrial supplies**	11	57	66	57	+ 0.6	+13.3	519
Plumbing and heating supplies	17	59	61	58	− 6.3	+10.2	1,082
Paper and its products	4	60	63	58	+ 8.0	+ 7.7	337
Surgical equipment and supplies	7	45	47	39	− 1.7	+ 3.5	237
Tobacco and its products	12	85	88	88	− 1.5	+ 0.7	581
East South Central	116	59	61	59	−12.8	+10.0	11,998
Drugs and drug sundries	11	69	67	70	− 5.9	+ 6.8	1,516
Dry goods	14	39	37	35	−18.1	+24.9	3,004
Electrical goods	14	68	70	73	−22.3	+ 3.4	703
Groceries and foods, except farm products	41	82	91	81	− 7.5	+ 5.4	2,565
General hardware	11	47	50	46	− 9.4	+ 6.2	2,203
Industrial supplies**	4	49	51	54	−21.9	+ 4.5	281
West South Central	207	64	67	63	− 6.6	+ 7.1	22,672
Drugs and drug sundries	15	70	72	70	+ 4.3	+ 3.8	2,565
Dry goods	14	37	39	34	− 7.7	+21.0	5,589
Electrical goods	16	68	83	73	+ 2.9	− 1.4	885
Furniture and house furnishings	4	50	53	50	+13.5	+ 6.5	394
Groceries and foods, except farm products	113	93	101	89	− 5.3	+ 2.3	7,659
General hardware	14	47	45	46	−11.2	+ 7.1	2,408
Industrial supplies**	4	79	77	76	−23.7	+ 0.5	635
Paper and its products	4	56	60	50	+ 6.6	+ 1.6	322
Surgical equipment and supplies	5	42	36	44	− 9.6	+ 4.6	113
Tobacco and its products	6	102	104	106	+10.9	+ 1.8	173
Mountain	73	70	74	73	− 8.2	+ 3.7	5,644
Automotive supplies	4	64	60	65	+ 6.2	+ 6.2	69
Drugs and drug sundries	6	66	69	69	+ 6.4	+ 4.3	699
Electrical goods	13	68	75	74	− 4.6	+ 3.0	751
Groceries and foods, except farm products	15	92	94	93	+ 3.8	+ 2.5	1,037
General hardware	7	43	45	44	− 7.7	+ 8.5	1,158
Tobacco and its products	5	110	133	119	+11.8	—	170
Pacific	221	71	71	72	−10.2	+ 3.8	28,440
Automotive supplies	39	61	63	63	− 2.8	+ 6.1	994
Shoes and other footwear	5	37	37	36	−17.7	+19.2	410
Drugs and drug sundries	6	81	83	80	− 2.1	− 1.9	3,279
Dry goods	10	54	52	59	−15.7	+23.7	1,426
Electrical goods	28	69	73	72	−18.6	− 1.4	3,151
Farm products (consumer goods)	6	129	118	137	—	+ 4.0	621
Furniture and house furnishings	8	55	57	54	−18.3	+ 7.7	984
Groceries and foods, except farm products	26	111	121	110	+ 5.8	+ 0.5	3,611
General hardware	18	51	51	50	−12.3	+ 5.2	6,181
Industrial supplies**	8	63	65	66	−13.6	− 6.7	306
Plumbing and heating supplies	9	70	73	78	−33.2	− 2.5	689
Jewelry and optical goods	5	15	16	15	− 2.7	+ 6.1	571
Lumber and building materials	6	55	51	48	− 9.5	− 4.7	285
Paints and varnishes	4	63	65	62	−10.5	+ 1.1	2,327
Paper and its products	5	58	53	52	−12.3	+54.8	463
Surgical equipment and supplies	6	43	36	42	− 9.6	− 2.0	244
Tobacco and its products	16	101	106	103	+ 6.7	− 1.1	889

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**This heading also includes distributors of mill, mine and steam supplies.
STATES COMPRISING REGIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Aris., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal. Ore., Wash.).